

**OFFICIAL STATEMENT DATED JUNE 7, 2023**

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

**NEW ISSUE – Book-Entry Only**

**Rating:**  
**S&P: "AA" (Stable Outlook)/Insured**  
**Insurance: AGM**

THE DISTRICT HAS DESIGNATED THE BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS.

See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.

**\$5,855,000**

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**

*(A Political Subdivision of the State of Texas Located in Travis County, Texas)*

**UNLIMITED TAX BONDS, SERIES 2023**

**Dated: June 29, 2023**

**Due: August 15, as shown on the inside cover page**

**Interest to accrue from the Date of Initial Delivery (defined below)**

**PAYMENT TERMS** . . . Interest on the Southeast Travis County Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2023 (the "Bonds") will accrue from the Date of Initial Delivery (defined below), will be payable February 15, 2024 and each August 15 and February 15 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent"). The Bonds are obligations solely of the Southeast Travis County Municipal Utility District No. 1 (the "District") and are not obligations of the City of Austin, Texas; Del Valle Independent School District; Travis County, Texas; the State of Texas; or any entity other than the District.

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

**PURPOSE** . . . The proceeds of the Bonds will be used to finance the District's share of: (i) Pearce Lane Wastewater Treatment Plant ("WWTP") Phase 1; (ii) Pearce Lane WWTP lift station and site improvements; and (iii) engineering, inspection and permits. The remaining Bond proceeds will be used to: (i) capitalize approximately eighteen months' interest requirements on the Bonds; (ii) pay developer interest; (iii) operation advances; and (iv) pay the costs of issuance of the Bonds.



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

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**CUSIP PREFIX: 841521**  
**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,**  
**REDEMPTION PROVISIONS, AND OTHER TERMS**  
**See inside cover page**

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

**DELIVERY** . . . Delivery of the Bonds is expected through the facilities of DTC on June 29, 2023 (the "Date of Initial Delivery").

## MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Yield <sup>(b)</sup>	CUSIP Numbers <sup>(c)</sup>
2025	\$ 115,000	6.500%	3.650%	841521BY2
2026	120,000	6.500%	3.600%	841521BZ9
2027	130,000	6.500%	3.550%	841521CA3
***	***	***	***	***
2032	175,000	6.000%	3.600%	841521CF2 <sup>(d)</sup>
2033	185,000	5.000%	3.650%	841521CG0 <sup>(d)</sup>
2034	195,000	4.000%	3.800%	841521CH8 <sup>(d)</sup>
2035	205,000	4.000%	3.900%	841521CJ4 <sup>(d)</sup>
2036	220,000	4.000%	4.000%	841521CK1
2037	230,000	4.000%	4.050%	841521CL9
2038	245,000	4.000%	4.100%	841521CM7
2039	260,000	4.000%	4.140%	841521CN5
2040	275,000	4.000%	4.180%	841521CP0
2041	295,000	4.125%	4.220%	841521CQ8
2042	310,000	4.125%	4.250%	841521CR6
2043	330,000	4.125%	4.280%	841521CS4
***	***	***	***	***
2046	390,000	4.250%	4.340%	841521CV7
2047	415,000	4.250%	4.360%	841521CW5
2048	440,000	4.250%	4.380%	841521CX3

**\$600,000 6.500%<sup>(a)</sup> Term Bonds due August 15, 2031 Priced to Yield 3.550%<sup>(b)(d)</sup> – 841521CE5<sup>(c)</sup>**  
**\$720,000 4.250%<sup>(a)</sup> Term Bonds due August 15, 2045 Priced to Yield 4.320%<sup>(b)</sup> – 841521CU9<sup>(c)</sup>**

### (Interest to accrue from the Date of Initial Delivery)

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of approximately 97.014% of par, resulting in a net effective interest rate to the District of 4.514074%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (“CGS”) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Initial Purchaser or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities for the Bonds.
- (d) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2028, the first optional redemption date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

**REDEMPTION PROVISIONS . . .** The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2029 in whole or from time to time in part, on August 15, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2031 and 2045 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

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

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 representations must not be relied upon as having been authorized by the District.

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 the Financial Advisor, for further information.

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 the 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, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period” and “CONTINUING DISCLOSURE OF INFORMATION.”

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.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

## **SALE AND DISTRIBUTION OF THE BONDS**

**AWARD OF THE BONDS . . .** After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the “Initial Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of approximately 97.014% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

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

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

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

**SECURITIES LAWS . . .** No registration statement relating to the offer and sale of the Bonds has been filed with the United States Securities and Exchange Commission 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 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 AND INSURANCE**

The Bonds have received an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See “BOND INSURANCE RISKS.”

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**OFFICIAL STATEMENT SUMMARY**

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

**THE DISTRICT**

- THE ISSUER**..... Southeast Travis County Municipal Utility District No. 1 (the “District”) is being developed as part of a master planned community known as Sun Chase. The Sun Chase development will include single-family, multi-family, and commercial uses together with parks and recreational facilities to serve the community. Sun Chase has a master development plan that will occur in phases beginning with the District. The District, a political subdivision of the State of Texas, was created under the laws of the State of Texas by Senate Bill No. 1913, Acts of the 82<sup>nd</sup> Texas Legislature, Regular Session (2011), Chapter 1114, now codified as Chapter 8382, Subtitle F, Title 6 of the Special District Local Laws Code (the “Enabling Legislation”), and operates under Chapters 49 and 54 of the Texas Water Code. The Enabling Legislation became effective May 25, 2011, subject to the consent of the City of Austin (the “City”) to the creation, which was granted by the City on April 13, 2012. Creation of the District was confirmed at an election held on November 6, 2012. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water; distributing potable water; collecting and treating wastewater; and providing and operating park and recreational facilities. See “THE DISTRICT – General.”
  
- LOCATION**..... The District is located approximately 12 miles southeast of the central business district of the City of Austin in southeastern Travis County, Texas. The District lies generally southeast of State Highways 130 and 71. Austin-Bergstrom International Airport is located approximately 5 miles northwest of the District. Major access to the District is provided by State Highway 130 to Pearce Lane (east) leading to Sun Chase Parkway at the District’s northern boundary. The District is located wholly within the extraterritorial jurisdiction of the City of Austin. See “THE DISTRICT – Location.”
  
- THE DEVELOPER** ..... The developer currently active within the District is Qualico CR, L.P., a Texas limited partnership (the “Developer”). See “THE DEVELOPER – Description of Developer” and “THE DISTRICT – Current Status of Development.”
  
- DEVELOPMENT WITHIN THE DISTRICT** ..... Of the 187.72 acres within the District, approximately 153.53 are developable under current land development regulations. As of February 15, 2023, approximately 133.52 acres have been or are being developed with utility facilities for the master planned community of Sun Chase. In addition to single-family uses, the District will also include duplex residential, mixed residential, multi-family and commercial uses. As of February 15, 2023, the development in the District consisted of 468 developed single-family lots which includes 401 single-family lots, 67 duplex lots (with 134 residential units) plus 1 mixed residential lot (with 53 residential units). There are 266 occupied homes, 50 homes under construction, and 157 vacant single-family lots. See “THE DISTRICT – Current Status of Development.”
  
- HOMEBUILDERS**..... According to the Developer, there are currently two homebuilders within the District: The original homebuilder, Lennar Homes of Texas Land and Construction, Ltd., and the newest homebuilder, Gehan Homes, Ltd. Both homebuilders are building single-family and duplex homes on three lot sizes (40’, 50’ and 60’). Lennar’s homes range in price from \$310,000 to \$377,000 with square footage ranging from 1,057 to 1,883 for the single-family homes and \$285,000 to \$310,000 with a square footage ranging from 1,292 to 1,592 square feet for the duplex product. Gehan’s single-family detached products range is from \$420,000 to \$485,000, the duplex product starts at \$329,000. See “THE DEVELOPER – Homebuilders within the District.”

## THE BONDS

<b>DESCRIPTION</b> .....	The Bonds in the aggregate principal amount of \$5,855,000 mature serially in varying amounts on August 15 of each year from 2025 through 2027, 2032 through 2043 and 2046 through and including 2048 and as Term Bonds maturing on August 15 in the years 2031 and 2045, as set forth on the inside cover page hereof. Interest accrues from the Date of Initial Delivery and is payable February 15, 2024 and each August 15 and February 15 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS – General Description.”
<b>REDEMPTION</b> .....	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2029, in whole or from time to time in part, on August 15, 2028, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2031 and 2045 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”
<b>SOURCE OF PAYMENT</b> .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See “TAXING PROCEDURES.” <b>The Bonds are obligations solely of the District and are not obligations of the City of Austin; Del Valle Independent School District; Travis County, Texas; the State of Texas; or any entity other than the District.</b> See “THE BONDS – Source of and Security for Payment.”
<b>PAYMENT RECORD</b> .....	The Bonds constitute the third installment of bonds issued by the District. The District has not previously defaulted on any outstanding debt. See “FINANCIAL STATEMENT – Table 3 – Unlimited Tax Bonds Authorized but Unissued.”
<b>AUTHORITY FOR ISSUANCE</b> .....	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 approving order of the TCEQ; and an order adopted by the Board of Directors of the District on the date of the sale of the Bonds. See “THE BONDS – Authority for Issuance.”
<b>USE OF PROCEEDS</b> .....	The proceeds of the Bonds will be used to finance the District’s share of: (i) Pearce Lane Wastewater Treatment Plant (“WWTP”) Phase 1; (ii) Pearce Lane WWTP lift station and site improvements; (iii) operation advances; and (iv) engineering, inspection and permits. The remaining Bond proceeds will be used to: (i) capitalize approximately eighteen months’ interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay the costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<b>BONDS AUTHORIZED BUT UNISSUED</b> .....	At an election held within the District on November 6, 2012, the voters within the District approved the issuance of \$22,065,000 in bonds for water, wastewater and drainage facilities, \$1,541,650 in bonds for parks and recreational facilities, and \$7,500,000 in road bonds. The Bonds constitute the third installment of bonds issued by the District. After the sale of the Bonds, the District will have \$10,745,000 remaining in authorized but unissued bonds for water, wastewater and drainage facilities. All parks and recreational and road bonds remain authorized but unissued. See “FINANCIAL STATEMENT – Table 3 – Unlimited Tax Bonds Authorized but Unissued” and “THE BONDS – Issuance of Additional Debt.”
<b>MUNICIPAL BOND RATING AND INSURANCE</b> .....	The Bonds have received an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. See “BOND INSURANCE RISKS.”

<b>QUALIFIED TAX-EXEMPT OBLIGATIONS.....</b>	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 has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2023 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
<b>BOND COUNSEL &amp; DISCLOSURE COUNSEL.....</b>	McCall, Parkhurst & Horton L.L.P., Austin, Texas
<b>GENERAL COUNSEL.....</b>	Armbrust & Brown, PLLC, Austin, Texas
<b>FINANCIAL ADVISOR .....</b>	Specialized Public Finance Inc., Austin, Texas
<b>ENGINEER.....</b>	Carlson, Brigance & Doering, Inc., Austin, Texas

**RISK FACTORS**

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

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**SELECTED FINANCIAL INFORMATION**  
**(Unaudited as of February 1, 2023)**

2020 Certified Taxable Assessed Valuation .....	\$ 26,719,153	(a)
2021 Certified Taxable Assessed Valuation .....	\$ 38,789,678	(a)
2022 Certified Taxable Assessed Valuation .....	\$ 67,759,113	(a)
2023 Preliminary Taxable Assessed Valuation.....	\$ 106,280,458	(b)
Gross Direct Debt Outstanding of the District (after issuance of the Bonds).....	\$ 11,320,000	(c)
Ratio of Gross Direct Debt to 2022 Certified Taxable Assessed Valuation.....	16.71%	
Ratio of Gross Direct Debt to 2023 Preliminary Taxable Assessed Valuation .....	10.65%	
2022 Tax Rate		
Debt Service.....	\$ 0.5440	
Maintenance.....	0.3504	
Total 2022 Tax Rate.....	\$ 0.8944	(d)
General Fund Balance (as of February 1, 2023) .....	\$ 848,440	
Debt Service Fund Balance (as of February 1, 2023) .....	\$ 919,300	(e)
Capital Project Fund Balance (as of February 1, 2023) .....	\$ 120,423	
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds (“Average Requirement”) (2023-2048).....	\$ 719,691	
Tax Rate required to pay Average Requirement based upon 2022 Certified Taxable Assessed Valuation at 95% collections .....	\$ 1.1181/\$100 AV	
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds (“Maximum Requirement”) (2045).....	\$ 823,598	
Tax Rate required to pay Maximum Requirement based upon 2022 Certified Taxable Assessed Valuation at 95% collections .....	\$ 1.2795/\$100 AV	
Number of homes and lots as of February 15, 2023:		
Total Completed Homes .....	266	
Occupied Completed Homes.....	266	
Homes Under Construction.....	50	
Vacant Lots .....	157	
Estimated Population as of February 15, 2023.....	931 <sup>(f)</sup>	

- (a) Taxable Assessed Valuation of the District certified by the Travis Central Appraisal District (“TCAD”). See “TAXING PROCEDURES.”
- (b) The preliminary assessed valuation as of January 1, 2023, as provided by TCAD. Taxes are levied based on value as certified by TCAD as of January 1 of each year. Consequently, this estimate will not be used to procure tax revenues for the District.
- (c) Includes the Bonds.
- (d) The District levied a 2023 total tax rate of \$0.8944 at the District’s Board meeting in September 2022. See “TAXING PROCEDURES.”
- (e) Unaudited as of February 1, 2023. Does not include approximately eighteen months of capitalized interest (\$396,449) which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund.
- (f) Based upon 3.5 residents per completed and occupied single-family home.

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**OFFICIAL STATEMENT**  
relating to

**\$5,855,000**

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
*(A Political Subdivision of the State of Texas Located in Travis County, Texas)*  
**UNLIMITED TAX BONDS, SERIES 2023**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Southeast Travis County Municipal Utility District No. 1 (the “District”), a political subdivision of the State of Texas (the “State”), of its \$5,855,000 Unlimited Tax Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”), pursuant to Article XVI, Section 59 of the Constitution and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 6, 2012; and the approving order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”). Additionally, the District anticipates obtaining approval by the City of Austin, Texas (the “City”) on or about May 18, 2023.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District’s Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” and “OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period” for a description of the District undertaking to provide certain information on a continuing basis.

**THE BONDS**

**GENERAL DESCRIPTION . . .** The Bonds will bear interest from the Date of Initial Delivery and will mature on August 15 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will accrue from the Date of Initial Delivery, will be paid on February 15, 2024 and each August 15 and February 15 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

**REDEMPTION . . .** The Bonds maturing on and after August 15, 2029 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 15, 2028, or on any date thereafter, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

**MANDATORY SINKING FUND REDEMPTION . . .** The Bonds maturing August 15 in the years 2031 and 2045 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the date of redemption by lot:

Term Bonds Due August 15, 2031		Term Bonds Due August 15, 2045	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2028	\$ 135,000	August 15, 2044	\$ 350,000
August 15, 2029	145,000	August 15, 2045*	370,000
August 15, 2030	155,000		
August 15, 2031*	165,000		

\*Stated Maturity.

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

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

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

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

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

**DTC REDEMPTION PROVISION . . .** The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC.

In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect

Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

**TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . .** The District is initially utilizing the book-entry-only system of DTC (“Book-Entry-Only System”). See “BOOK-ENTRY-ONLY SYSTEM.” In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

*Payment . . .* Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the “Designated Payment/Transfer Office”). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

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

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

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

**AUTHORITY FOR ISSUANCE . . .** At an election held within the District on November 6, 2012, the voters within the District approved the issuance of \$22,065,000 in bonds for water, wastewater and drainage facilities, \$1,541,650 in bonds for parks and recreational facilities, and \$7,500,000 in road bonds. The Bonds constitute the third installment of bonds issued by the District. After the sale of the Bonds, the District will have \$10,745,000 remaining in authorized but unissued bonds for water, wastewater and drainage facilities. All parks and recreational and road bonds remain authorized but unissued. The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ. Additionally, the District anticipates obtaining approval by the City of Austin, Texas (the “City”) on or about May 18, 2023.

**SOURCE OF AND SECURITY FOR PAYMENT . . .** The Bonds will be payable from and secured by a pledge of the proceeds of a continuing, direct, annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed

in a special account of the District designated its “Debt Service Fund” for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if the City of Austin (the “City”) annexes and dissolves the District and assumes all debts and liabilities of the District.

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

**PAYMENT RECORD . . .** The Bonds constitute the third installment of bonds issued by the District. The District has not previously defaulted on any outstanding debt.

**FLOW OF FUNDS . . .** The Bond Order creates or confirms the creation by the District of a Debt Service Fund and a Capital Projects Fund. Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds. Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

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

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

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

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

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

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

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

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

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

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

**RECORD DATE . . .** The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the last calendar day of the month (whether or not a business day) preceding such interest payment date.

**ISSUANCE OF ADDITIONAL DEBT . . .** The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ, as applicable, and, in the case of bonds payable from taxes, the District's voters. On November 6, 2012, voters within the District authorized the issuance of unlimited tax bonds in the principal amounts of \$22,065,000 for the purpose of providing water, wastewater, and drainage facilities to meet the needs of the residents and customers of the District. Following the issuance of the Bonds, \$10,745,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued for water, wastewater and drainage facilities. See "FINANCIAL STATEMENT – Table 3 – Unlimited Tax Bonds Authorized But Unissued." The District's voters, at the election held within the District on November 6, 2012, also authorized the issuance of \$1,541,650 in bonds for parks and recreational facilities and \$7,500,000 for road bonds, all of which remain authorized but unissued. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

According to the District's engineer, the \$10,745,000 in principal amount of bonds authorized but unissued may not be sufficient to reimburse the Developer for all water, wastewater and drainage facilities constructed at full build out. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the

right to issue refunding bonds, as well as revenue bonds and notes without voter approval. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional non-road bonds is subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds and the City. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

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

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

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

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

**REMEDIES IN EVENT OF DEFAULT . . .** The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interest, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*,” and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state’s immunity since they are performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by

statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the District’s sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District’s property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

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

**ANNEXATION . . .** The District lies entirely within the extraterritorial jurisdiction of the City of Austin, Texas (the “City”). Under prior Texas law, a municipality could annex and dissolve a municipality utility district located within its extraterritorial jurisdiction without the consent of the District or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session (“HB 347”), (a) a municipality may annex a district with a population less than 200 residents only if: (i) the municipality obtains the consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of August 1, 2020, the District had an estimated population of 417, thus triggering the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the district, including outstanding bonds, and the pledge of taxes will terminate. 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.

Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of Austin and therefore, the District makes no representation that the City will ever annex the District and assume its debt. See “Strategic Partnership Agreement” below for a description of the terms of the Strategic Partnership Agreement between the City and the District.

**STRATEGIC PARTNERSHIP AGREEMENT . . .** In accordance with the Strategic Partnership Agreement between the City and the District dated June 4, 2012 (the “SPA”), the City may convert all of the remaining land in the District to full purpose annexation status at such time as it determines such conversion to be appropriate, subject to the terms of the Consent Agreement between the City, the District and the Developer dated April 13, 2012 (the “Consent Agreement”) and the SPA, but, except as otherwise provided in the Consent Agreement, in no event sooner than December 31, 2023.

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

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

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

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

## BOND INSURANCE

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

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

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM’s long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings:* On October 21, 2022, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody’s announced it had upgraded AGM’s insurance financial strength rating to “A1” (stable outlook) from “A2” (stable outlook). AGM can give no assurance as to any further ratings action that Moody’s may take.

For more information regarding AGM’s financial strength ratings and the risks relating thereto, see AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

*Capitalization of AGM:* At March 31, 2023:

- The policyholders’ surplus of AGM was approximately \$2,742 million.
- The contingency reserve of AGM was approximately \$874 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,092 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus of AGM and the contingency reserves, net unearned premium reserves and net deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium



reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

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

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

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

## **BOND INSURANCE RISKS**

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

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

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

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

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

Neither the District nor the Initial Purchaser has made an independent investigation into the claims paying ability of AGM and no assurance or representation regarding the financial strength or projected financial strength of AGM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the

Bonds and the claims paying ability of AGM, particularly over the life of the investment. See “BOND INSURANCE” herein for further information regarding AGM and the Policy, which includes further instructions for obtaining current financial information concerning AGM.

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

All payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds 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 redemption proceeds, distributions, and dividend payments 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.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Financial Advisor take any responsibility for the accuracy thereof.

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**USE AND DISTRIBUTION OF BOND PROCEEDS**

The proceeds of the Bonds will be used to finance the District’s share of: (i) Pearce Lane Wastewater Treatment Plant (“WWTP”) Phase 1; (ii) Pearce Lane WWTP lift station and site improvements; (iii) operation advances; and (iv) engineering, inspection and permits. The remaining Bond proceeds will be used to: (i) capitalize approximately eighteen months’ interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay the costs of issuance of the Bonds.

The estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$3,636,040 is estimated to be required for construction costs, and \$2,218,960 is estimated to be required for non-construction costs, including \$396,449 of capitalized interest (approximately eighteen months’ interest).

<b>I.      <u>CONSTRUCTION COSTS</u></b>	<u>District’s Share</u>
A.   Developer Contribution Items - None	
B.   District Items	
1.   Pearce Lane Wastewater Treatment Plant – Phase 1 .....	\$   2,310,000
2.   Pearce Lane Wastewater Treatment Plant – Lift Station & Site Improvements .....	498,264
3.   Engineering, Inspection and Permits .....	827,776
Total District Costs .....	<u>\$   3,636,040</u>
<b>Total Construction Costs (62.10% of BIR) .....</b>	<b>\$   3,636,040</b>
<b>II.     <u>NON-CONSTRUCTION COSTS</u></b>	
A.   General Counsel Fees (1.50%) .....	\$       87,825
B.   Bond Counsel Fees (1.50%) .....	87,825
C.   Fiscal Agent Fees (2.00%) .....	102,463
D.   Interest:	
1.   Capitalized Interest (18 months at 4.51%) .....	396,449
2.   Developer Interest .....	1,000,288 <sup>(a)</sup>
E.   Bond Discount (3.00%) .....	175,650
F.   Bond Issuance Expenses .....	32,411
G.   Operation Advances .....	134,055
H.   Bond Application Report Costs .....	51,000
I.   Attorney General Fee (0.10%) .....	5,855
J.   TCEQ Fee (0.25%) .....	14,638
K.   Contingency .....	<u>        130,501</u>
<b>Total Non-Construction Costs .....</b>	<b>\$   2,218,960</b>
<b>TOTAL BOND ISSUE REQUIREMENT .....</b>	<b>\$   5,855,000</b>

(a) Estimated at 6.00%. The amount of developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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## RISK FACTORS

**GENERAL . . .** The Bonds, which are obligations of the District and are not obligations of the City of Austin; Del Valle Independent School District; Travis County, Texas; the State of Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS – Source of and Security for Payment.”

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “RISK FACTORS – Registered Owners’ Remedies.”

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

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

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

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

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

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

***Developer under No Obligation to the District:*** There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "SELECTED FINANCIAL INFORMATION – 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 the District property owners to pay their taxes. The 2022 Certified Taxable Assessed Valuation is \$67,759,113 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$823,598 (2045) and the Average Annual Debt Service Requirement will be \$719,691 (2023-2048, inclusive). Based on the 2022 Certified Taxable Assessed Valuation of \$67,759,113, a tax rate of \$1.2795/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Maximum Annual Debt Service Requirement, and a tax rate of \$1.1181/\$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Annual Debt Service Requirement. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA – Tax Adequacy for Debt Service."

**HOUSING MARKET - VOLATILITY AND RECENT FORECLOSURES . . .** During the past eight (8) years, volatile economic conditions and disruptions in the housing market have led to a significant number of foreclosures on single-family homes nationally and has added to the fluctuation and volatility to which the homebuilding industry has historically been subject. In the District, there were 0 foreclosures posted for sale by the Travis County Clerk's Office on single-family homes located in the District as of February 15, 2023. No assurance can be given whether the number of foreclosures will increase or that market conditions will improve.

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

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

**BANKRUPTCY LIMITATION TO REGISTERED OWNERS' RIGHTS . . . *District Bankruptcy:*** The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

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

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

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

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

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

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

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

**Atlas 14 Study.** The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. 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 floodplain and potentially increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain). See "THE SYSTEM – 100-Year Flood Plain."

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

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

**FUTURE DEBT . . .** As of April 30, 2022, approximately 153.53 net developable acres of land within the District have been developed with utility facilities by the Developer. According to information obtained by Carlson, Brigance & Doering, Inc., (the "District's Engineer"), following the issuance of the Bonds, the District will owe the Developer approximately \$21,000,000 for eligible facilities constructed to date, which is expected to be financed with future bond issues. A total of \$31,106,650 principal amount of unlimited tax bonds have been authorized by the District's voters pursuant to the November 6, 2012 election held within the District and, after the issuance of the Bonds, \$28,641,650 of unlimited tax bonds will remain authorized but unissued for purchasing and constructing water, wastewater and drainage facilities, streets, parks, and recreational facilities, respectively. It is anticipated that such bonds will be issued to reimburse the Developer for eligible facilities constructed to date and to finance facilities which have not yet been constructed.

Therefore, the Developer will be owed additional funds with reimbursements expected to be made from the proceeds of future installments of bonds over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate) see “THE DEVELOPER – Utility Development Agreement.” The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional non-road bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds and the City. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.”

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ, as applicable, and, in the case of bonds payable from taxes, the District’s voters. On November 6, 2012, voters within the District authorized the issuance of unlimited tax bonds in the principal amounts of \$22,065,000 for the purpose of providing water, wastewater, and drainage facilities to meet the needs of the residents and customers of the District. The Bonds constitute the third installment of bonds issued by the District. Following the issuance of the Bonds, \$10,745,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued for water, wastewater and drainage facilities. See “FINANCIAL STATEMENT – Table 3 – Unlimited Tax Bonds Authorized But Unissued.”

The District has reserved in the Bond Order the right to issue the remaining \$10,745,000 in authorized but unissued water, wastewater and drainage facilities bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$10,745,000 water, wastewater and drainage facilities bonds may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the City, the Attorney General of the State of Texas and the TCEQ. In the opinion of the District’s engineer, the remaining authorization should be sufficient to reimburse the Developer for the water, wastewater and drainage facilities required to serve development within the District. See “THE SYSTEM.”

**GOVERNMENTAL APPROVAL . . .** As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on February 1, 2023 (the “TCEQ Order”). In addition, the Attorney General of Texas must also approve the legality of the Bonds prior to their delivery. Additionally, the District anticipates obtaining approval by the City of Austin, Texas (the “City”) on or about May 18, 2023.

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

As provided in the Consent Agreement, the Bonds are subject to the City approval, which will not be unreasonably withheld, conditioned, or delayed. The City approved the Bonds by resolution signed October 15, 2020.

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

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

Should the Austin Area fail to achieve EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any 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 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 near future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

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

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

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

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

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

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

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nationwide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 1, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 1, 2018, remain in place pending the proceedings on remand.

This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 1, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved. Subsequently, on May 28, 2019, the U.S. District Court for the Southern District of Texas found that the CWR violated the notice-and-comment requirements of the Administrative Procedures Act, remanded the CWR to the EPA and USACE, and ordered that the preliminary injunction issued September 1, 2018, remain in place pending the proceedings on remand.

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

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

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 has issued 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.

**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.

**2023 LEGISLATIVE SESSION . . .** The 88th Regular Legislative Session convened on January 10, 2023 and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District’s obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

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

## THE DISTRICT

**GENERAL . . .** The District, a political subdivision of the State of Texas, was created under the laws of the State of Texas by Senate Bill No. 1913, Acts of the 82nd Texas Legislature, Regular Session (2011), Chapter 1114, now codified as Chapter 8382, Subtitle F, Title 6 of the Texas Special District Local Laws Code (the “Enabling Legislation”), and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The Enabling Legislation became effective May 25, 2011, subject to the consent of the City to the creation, which was granted by the City on April 13, 2012. Creation of the District was confirmed at an election held on November 6, 2012. The District is subject to the continuing supervision of the TCEQ. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water, distribute potable water, and collect and treat wastewater. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and the operation of park and recreational facilities. The District also has road powers under Article III, Section 52 of the Texas Constitution pursuant to the Enabling Legislation. Pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code, certain districts, such as the District, may issue bonds, subject to approval by the voters in the District, the City and the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of water, wastewater, drainage, park and recreational facilities. The District may also establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ.

**MANAGEMENT . . . *Board of Directors.*** The District is governed by a Board of Directors (the “Board”), consisting of five directors, which has control over and management supervision of all affairs of the District. As required by the Enabling Legislation and the Consent Agreement, four of the Directors are elected for four-year staggered terms with elections held within the District on the first Tuesday after the first Monday in November in each even numbered year, and one Director is appointed by the governing body of the City. Except for the Director appointed by the governing body of the City, all of the directors reside or own property in the District.

Name	Title	Term Expires
Hank B. Smith	President	2024
Steven Pierce	Vice President	2026
Robert Thompson	Secretary	2024
Jed Crump	Asst. Secretary	2024
Veronica Escalante	Director	2026

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

***Bookkeeper.*** Bott & Douthitt, P.L.L.C (“B&D”) is charged with the responsibility of providing bookkeeping services for the District. B&D serves in a similar capacity for 65 other special districts.

***Engineer.*** The District’s consulting engineer is Carlson, Brigance & Doering, Inc. (the “Engineer”).

***Financial Advisor.*** Specialized Public Finance Inc. serves as the District’s financial advisor (the “Financial Advisor”). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

***Bond Counsel and Disclosure Counsel.*** The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel and Disclosure Counsel in connection with the issuance of the District’s Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

***General Counsel.*** The District has engaged Armbrust & Brown, PLLC (“A&B”) as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

**LOCATION . . .** The District is located approximately 12 miles southeast of the central business district of the City of Austin in southeastern Travis County, Texas. The District lies generally southeast of State Highways 130 and 71. Austin-Bergstrom International Airport is located approximately 5 miles northwest of the District. Major access to the District is provided by State Highway 130 to Pearce Lane (east) leading to Sun Chase Parkway at the District’s northern boundary. The District is located wholly within the extraterritorial jurisdiction of the City of Austin. See “LOCATION MAP.”

**CURRENT STATUS OF DEVELOPMENT . . .** At the time of creation, the District contained 187.72 acres of land.

As of February 15, 2023, the development in the District consisted of: 468 developed single-family lots, which consists of 266 completed homes, of which 266 were occupied homes, 50 homes under construction, 157 vacant single-family lots and an amenity center.

The chart below reflects the status of development as of February 15, 2023:

	Net Acreage	Lots	Single Family		
			Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Sections Developed or being Developed with Utility Facilities</b>					
Developed: Sun Chase Sections 1, 2, 3, 4, 5, 6, 7 and 8	133.52	468	266	50	157
Being Developed: None	0.00	0	0	0	0
<b>Total Developed or Under Construction</b>	<b>133.52</b>	<b>468 <sup>(a)</sup></b>	<b>266</b>	<b>50</b>	<b>157</b>
<b>B. Remaining Developable Acreage</b>	0.00				
<b>C. Undevelopable Acreage (open space, detention pond and floodplain)</b>	54.2				
<b>Total</b>	<b>187.72</b>				

(a) Of the 468 developed single-family lots, 401 are single-family lots, 67 duplex lots (with 134 residential units) plus 1 mixed residential lot (with 53 residential units). There are 266 occupied homes, 50 homes under construction, and 157 vacant single-family lots.

**FUTURE DEVELOPMENT . . .** There is no remaining undeveloped but developable acres in the District. The initiation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party’s ability to sell lots and/or other property and of any homebuilder to sell completed homes as described in this Official Statement under the caption “RISK FACTORS.” If the undeveloped portion of the District is eventually developed, additions to the District’s water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District’s bonds and developer contributions, if any, as required by the TCEQ. The District’s Engineer estimates that the \$10,745,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to remaining undeveloped but potentially developable acres within the District. See “THE BONDS – Issuance of Additional Debt.” The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

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

**AGREEMENTS WITH THE CITY OF AUSTIN . . .** The District, the Developer, and the City have entered into a Consent Agreement dated April 13, 2012 (as amended, the “Consent Agreement”), which, among other things, outlines the development of the land within the District and specific facilities to be built that will serve the District and Southeast Travis County Municipal Utility Districts No. 2, 3, and 4 (the “Other Southeast Travis County Districts”) as well as a larger geographic area as outlined in the Consent Agreement. The District, the Developer, and the City have entered into a Strategic Partnership Agreement dated June 4, 2012 (the “SPA”) which sets for the terms and conditions of the City’s annexation of land within the District and on which the District will continue to exist as a limited district in accordance with Section 43.0751, Texas Local Government Code, and the Enabling Legislation following the City’s full purpose annexation of the land within the District. In accordance with the Consent Agreement, the District and the City entered into an Interlocal Agreement for Solid Waste Service dated effective July 2, 2018, which sets forth the terms and conditions of the City’s provision of residential solid waste services within the District.

In accordance with the Consent Agreement, the Developer submitted an application for, and on June 16, 2016 the City adopted an ordinance creating, a Planned Unit Development (“PUD”) establishing the planning and zoning for the land within the District as well the reminder of the Sun Chase development.

## THE DEVELOPER

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

**DESCRIPTION OF DEVELOPER . . .** The developer currently active within the District is Qualico CR, L.P., a Texas limited partnership (the "Developer"). See "THE DISTRICT – Current Status of Development."

**DEVELOPMENT FINANCING . . .** The Developer obtained a loan from Flagstar Bank in 2017 for the purpose of developing the undeveloped property in the District. The Developer paid off the Flagstar Bank loan in 2022 and, effective as of November 2, 2022, Flagstar Bank released all of its liens and security interest securing the loan.

**HOMEBUILDERS WITHIN THE DISTRICT . . .** According to the Developer, there are currently two homebuilders within the District: The original homebuilder, Lennar Homes of Texas Land and Construction, Ltd., and the newest homebuilder, Gehan Homes, Ltd. Both homebuilders are building single-family and duplex homes on three lot sizes (40', 50' and 60'). Lennar's homes range in price from \$310,000 to \$377,000 with square footage ranging from 1,057 to 1,883 for the single-family homes and \$285,000 to \$310,000 with a square footage ranging from 1,292 to 1,592 square feet for the duplex product. Gehan's single-family detached products range is from \$420,000 to \$485,000, the duplex product starts at \$329,000.

**AGRICULTURAL WAIVER . . .** Much of the undeveloped acreage within the District is subject to an agricultural exemption, however, the Developer has executed an agreement, which is recorded in the real property records of Travis County, and are covenants running with the land, waiving the right to have the land located within the District classified as agricultural, open-space or timberland for purposes of District taxes. In addition, the Developer has waived the right to have the lots and houses (if any) in the District classified as business inventory for purposes of District taxes. The agreement may not be modified without the approval of the TCEQ and are binding on purchasers of such land from the Developer, including the land previously sold to Lennar Homes and Gehan Homes. See "TAXING PROCEDURES – Property Subject to Taxation by the District."

**UTILITY CONSTRUCTION AGREEMENTS . . .** The Developer and the District entered into a Utility and Park Facility Construction Agreement (the "Construction Agreement") in 2014. The Construction Agreement governs the development of water, wastewater, drainage and recreational facilities in the District and the reimbursement of certain costs of such development through the District's issuance of bonds. The Developer and the District have also entered into a Road Improvements Construction and Reimbursement Agreement dated April 21, 2014 (the "Road Improvements Agreement"). The Road Improvements Agreement governs the construction of roads and improvements in aid of such roads (the "Road Improvements") and the reimbursement of such costs of such Road Improvements through the District's issuance of bonds.

## THE SYSTEM

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

Operation of the City's waterworks and wastewater facilities providing service to the District is subject to regulation by, among others, the EPA and the TCEQ.

**WATER SUPPLY . . .** Pursuant to the Consent Agreement, the City will be the sole retail provider of water service, and provide continuous and adequate water service in quantities sufficient to meet the full build-out needs of the District. The City will charge District residents water rates and fees as in-city service. Water supply for the City's three water treatment plants is surface water sourced from Lake Austin and Lake Travis. Per the terms of the Consent Agreement, the City will initially deliver up to 800 LUEs of water service to Sun Chase via an offsite 16-inch shared water transmission main (the "Sun Chase Phase One Water Extension") located along Pearce Lane and constructed by the Developer, on behalf of the District and Southeast Travis County Municipal Utility District No. 2 ("SETCMUD 2"). The District and SETCMUD 2 are parties to a "Joint Facilities Agreement [Sun Chase

Phase One Water Extension and WW Improvements]” dated effective August 7, 2019 (as amended from time to time), which, among other things, allocates the initial 800 LUEs of water service to the districts. The District’s allocated share of such initial water service is 640 LUEs. Upon completion of a future parallel 36-inch water main transmission line, additional City water capacity will be provided to meet the full demands of the Sun Chase development.

The City waived a total of \$1,499,400 of water Impact Fees for development within Southeast Travis County Municipal Utility District No’s. 1 - 4 (the “Districts”). The Developer will receive a water Impact Fee credit in the original amount of \$1,499,400, which will be applied and managed as provided in the Consent Agreement. The City will manage the accounting for the credit’s balance. The Developer will manage the transfer of portions of the credit as development occurs through credit transfers. This water Impact Fee credit may be applied by the Developer beginning with the first water tap purchased for development within the Districts.

The Developer will complete a water Impact Fee credit transfer and provide it to each developer or builder who is to receive a water Impact Fee credit. The completed form will be presented to the City at the time of tap purchase in order to authorize the City to apply a portion of the Developer’s water Impact Fee credit to the water Impact Fees which would otherwise be payable for the development within the Districts.

The City will deduct the amount of each water Impact Fee to which a credit is applied from the Developer’s water Impact Fee credit’s balance. Upon the depletion of the credit, the City’s standard water Impact Fees will be payable in full for any future development within the Districts.

Upon completion of construction and City acceptance of District water facilities (both internal and offsite), the facilities are conveyed to the City for ownership, operation and maintenance.

The City is the sole provider of water service. The District does not have an interconnect with any entity other than the City.

The District’s current water supply is capable of serving 640 equivalent single-family connections (“ESFCs”), which is sufficient to serve the existing 187 ESFCs (as of June 1, 2021) necessary to support the feasibility of this proposed bond issue.

**WASTEWATER COLLECTION AND TREATMENT . . .** Pursuant to the Consent Agreement, the City will be the sole retail provider of wastewater service, and provide continuous and adequate wastewater service in quantities sufficient to meet the full build-out needs of the District. The City will charge District residents wastewater rates and fees as in-city service. The City owns and operates the Pearce Lane Wastewater Treatment Plant which has a current capacity of 0.400 million gallon per day (MGD) and operates under TCEQ Permit No. WQ0010543015. Future expansions will provide an ultimate capacity of 2.25 MGD. Wastewater from the District is collected internally and conveyed from the District’s boundary to the Pearce Lane Wastewater Treatment Plant via offsite gravity lines.

The terms of the Consent Agreement required the District’s developer to construct the 0.400 MGD plant and convey it to the City for ownership, operation and maintenance. The City has agreed to provide a retail wastewater treatment service commitment of 1,632 LUEs to the Sun Chase development. In return for constructing the 0.400 MGD first phase of the wastewater treatment plant, the District is waived of the requirement to pay City wastewater impact fees. Attachment 26 is a letter from the City attesting to sufficient wastewater treatment capacity to serve the District.

The City’s wastewater service commitment of 1,632 LUEs provides wastewater capacity to the Sun Chase development. Considering the District’s existing 187 LUEs are the only existing wastewater connections in the Sun Chase development, sufficient wastewater capacity is available.

The District’s wastewater capacity is capable of serving 1,632 ESFCs, which is sufficient to serve the existing 187 ESFCs (as of June 1, 2021) necessary to support the feasibility of this proposed bond issue

**STORM WATER DRAINAGE . . .** Natural drainage patterns generally slope through the District from a southeasterly direction to the District’s north/northwestern boundary, and lead toward Dry Creek East. Storm-water runoff is collected by curb and gutter streets which tie into a system of underground storm sewer lines leading to detention/water quality ponds which outfall into Dry Creek East Tributaries and eventually leading to Dry Creek East. No storm-water drainage facilities are being funded in this bond issue. The District has constructed storm water quality ponds that serve the District either individually or as a shared drainage project with SETCMUD 2. The District’s share of water quality pond land costs is being funded in the subject bond issue.

**100-YEAR FLOOD PLAIN . . .** “Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. A portion of the District is located within the 100-year floodplain, as defined by FEMA/FIRM Panel 48453C0640J, dated January 6, 2016. The areas of floodplain are contained entirely within the drainage easements as dedicated on the recorded final plat. See “THE DISTRICT – Land Use” and “INVESTMENT CONSIDERATIONS – Environmental Regulations – Atlas 14 Study.”

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

## FINANCIAL STATEMENT

**TABLE 1 – DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended	Outstanding Debt			The Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest <sup>(a)</sup>	Total	
	9/30						
2023	\$ 70,000	\$ 188,468	\$ 258,468	\$ -	\$ -	\$ -	\$ 258,468
2024	70,000	203,963	273,963	-	304,225	304,225	578,188
2025	145,000	202,703	347,703	115,000	269,756	384,756	732,459
2026	150,000	198,403	348,403	120,000	262,281	382,281	730,684
2027	160,000	193,828	353,828	130,000	254,481	384,481	738,309
2028	165,000	188,868	353,868	135,000	246,031	381,031	734,899
2029	175,000	183,628	358,628	145,000	237,256	382,256	740,884
2030	180,000	177,988	357,988	155,000	227,831	382,831	740,819
2031	190,000	172,138	362,138	165,000	217,756	382,756	744,894
2032	195,000	165,698	360,698	175,000	207,031	382,031	742,729
2033	205,000	158,933	363,933	185,000	196,531	381,531	745,464
2034	220,000	151,618	371,618	195,000	187,281	382,281	753,899
2035	230,000	143,523	373,523	205,000	179,481	384,481	758,004
2036	235,000	135,003	370,003	220,000	171,281	391,281	761,284
2037	245,000	126,265	371,265	230,000	162,481	392,481	763,746
2038	255,000	116,965	371,965	245,000	153,281	398,281	770,246
2039	270,000	107,290	377,290	260,000	143,481	403,481	780,771
2040	280,000	96,870	376,870	275,000	133,081	408,081	784,951
2041	295,000	85,940	380,940	295,000	122,081	417,081	798,021
2042	305,000	74,155	379,155	310,000	109,913	419,913	799,068
2043	325,000	61,978	386,978	330,000	97,125	427,125	814,103
2044	340,000	49,015	389,015	350,000	83,513	433,513	822,528
2045	350,000	34,960	384,960	370,000	68,638	438,638	823,598
2046	200,000	20,500	220,500	390,000	52,913	442,913	663,413
2047	210,000	10,500	220,500	415,000	36,338	451,338	671,838
2048	-	-	-	440,000	18,700	458,700	458,700
	<u>\$ 5,465,000</u>	<u>\$ 3,249,193</u>	<u>\$ 8,714,193</u>	<u>\$ 5,855,000</u>	<u>\$ 4,142,769</u>	<u>\$ 9,997,769</u>	<u>\$ 18,711,962</u>

(a) Interest calculated at the rates shown on the inside cover page hereof.

**TABLE 2 – TAXABLE ASSESSED VALUE**

2020 Certified Taxable Assessed Valuation .....	\$	26,719,153	(a)
2021 Certified Taxable Assessed Valuation .....	\$	38,789,678	(a)
2022 Certified Taxable Assessed Valuation .....	\$	67,759,113	(a)
2023 Preliminary Taxable Assessed Valuation.....	\$	106,280,458	(b)
 Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$	11,320,000	(c)
 2022 Tax Rates:			
Debt Service.....	\$	0.5440	
Maintenance.....	\$	0.3504	
Total.....	\$	0.8944	
 General Fund Balance (as of February 1, 2023) .....	\$	848,440	
Debt Service Fund Balance (as of February 1, 2023) .....	\$	919,300	(d)
Capital Project Fund Balance (as of February 1, 2023) .....	\$	120,423	
 Ratio of Net Direct Debt to 2022 Certified Taxable Assessed Valuation .....		16.71%	
Ratio of Net Direct Debt to 2023 Preliminary Taxable Assessed Valuation.....		10.65%	

Estimated Population as of February 15, 2023: 931 (e)

- (a) The Certified Taxable Assessed Valuation as provided by TCAD. See “TAXING PROCEDURES.”
- (b) The preliminary assessed valuation as of January 1, 2023, as provided by TCAD. Taxes are levied based on value as certified by TCAD as of January 1 of each year. Consequently, this estimate will not be used to procure tax revenues for the District.
- (c) Includes the Bonds.
- (d) Unaudited as of February 1, 2023. Does not include approximately eighteen months of capitalized interest (\$396,449) which is projected to be deposited into the Debt Service Fund at closing from the proceeds of the Bonds. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.
- (e) Based upon 3.5 residents per completed and occupied single-family home.

**TABLE 3 – UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED**

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Water, Sewer, Drainage	11/6/2012	\$ 22,065,000	\$ 5,465,000	\$ 5,855,000	\$ 10,745,000
Parks and Recreational	11/6/2012	1,541,650	-	-	1,541,650
Road Bonds	11/6/2012	7,500,000	-	-	7,500,000
Total		<u>\$ 31,106,650</u>	<u>\$ 5,465,000</u>	<u>\$ 5,855,000</u>	<u>\$ 19,786,650</u>

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT . . .** Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the “FDIC”) or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the “PFIA”) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing



business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

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

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

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge

that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 4/30/2023
Austin Community College	\$ 414,210,000	0.01%	\$ 41,421
Del Valle ISD	674,225,000	0.34%	2,292,365
Travis County	900,550,000	0.01%	90,055
Travis County Healthcare District	73,795,000	0.01%	7,380
Travis County ESD #11		0.54%	-
Travis County ESD #15	-	0.54%	-
The District	11,320,000	100.00%	<u>11,320,000</u> <sup>(a)</sup>
Total Direct and Overlapping Tax Supported Debt			\$ 13,751,221
Ratio of Direct and Overlapping Tax Supported Debt to 2022 TAV			20.29%

(a) Includes the Bonds.

#### TAX DATA

**TABLE 4 – TAX RATE AND COLLECTIONS**

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

Fiscal Year Ended 9/30	Tax Rate	General Fund	Debt Service	Taxable Assessed Valuation <sup>(a)</sup>	Tax Levy	% Total Collections
2019	\$ 0.9800	\$ 0.9800	\$ -	\$ 1,996,121	\$ 19,562	100.00%
2020	0.9800	0.9800	-	13,718,620	134,956	100.00%
2021	0.9800	0.5300	0.4500	26,225,367	258,663	100.00%
2022	0.9800	0.4400	0.5400	38,789,678	386,622	99.90%
2023	0.8944	0.3504	0.5440	67,759,113	680,006	98.27% <sup>(b)</sup>

(a) Assessed Valuation reflects the certified value as reported by the Travis Central Appraisal District.

(b) As of April 30, 2023.

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

**MAINTENANCE TAX . . .** The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 6, 2012, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under “Table 2 – Taxable Assessed Value,” the District levied a 2022 maintenance and operation tax of \$0.3504/\$100 assessed valuation. See “THE DISTRICT – General.”

**TABLE 5 – PRINCIPAL TAXPAYERS**

The following list of principal taxpayers was provided by the Travis Central Appraisal District based on the 2022 tax roll of the District, which reflect ownership as of January 1 of 2022.

Taxpayer	Taxable Assessed Value	% of 2022 Taxable Assessed Valuation
Gehan Homes Ltd. <sup>(b)</sup>	\$ 2,086,938	3.08%
Lennar Homes of Texas <sup>(b)</sup>	1,811,140	2.67%
Gehan Homes Ltd. <sup>(b)</sup>	1,392,451	2.06%
Del Valle Properties LLC	1,250,388	1.85%
Lennar Homes of Texas <sup>(b)</sup>	1,167,297	1.72%
DeLeon, Jonathan	756,252	1.12%
Qualico CR LP <sup>(a)</sup>	732,033	1.08%
Gehan Homes Ltd. <sup>(b)</sup>	630,000	0.93%
Levine, Matthew	612,161	0.90%
DeLeon, Anthony & Jonathan	515,691	0.76%
	\$ 10,954,351	16.17%

(a) The Developer. See “THE DEVELOPER – Description of the Developer” and “RISK FACTORS – Dependence upon Developer and Homebuilders” and “– Housing Market-Volatility and Recent Foreclosures.”

(b) The designated taxpayers are concentrated in the homebuilding industry. See “THE DEVELOPER – Homebuilders” and “RISK FACTORS – Dependence upon Developer and Homebuilders” and “– Housing Market – Volatility and Recent Foreclosures.”

**TAX ADEQUACY FOR DEBT SERVICE**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2022 Certified Taxable Assessed Valuation and utilize tax rates adequate to service the District’s total debt service requirements, including the Bonds (at an assumed rate). No available debt service funds are reflected in these computations. See “RISK FACTORS – Impact on District Tax Rates.”

Average Annual Debt Service Requirements on the Bonds (2023-2048) .....	\$ 719,691
\$1.1181 Tax Rate on 2022 Certified Taxable Assessed Valuation of \$67,759,113 @ 95% collections .....	\$ 719,734
Maximum Annual Debt Service Requirements on the Bonds (2045) .....	\$ 823,598
\$1.2795 Tax Rate on 2022 Certified Taxable Assessed Valuation of \$67,759,113 @ 95% collections .....	\$ 823,629

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## TAXING PROCEDURES

**AUTHORITY TO LEVY TAXES . . .** The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

**PROPERTY TAX CODE AND COUNTY WIDE APPRAISAL DISTRICT . . .** The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized 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 has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis Central Appraisal Review Board (the “Appraisal Review Board”).

**PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . General:** Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. 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; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations, designated historical sites, travel trailers, and most individually owned automobiles. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran’s exemption applied. The surviving spouse of a member of the armed services who was killed in action or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of the surviving spouse’s residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Also, partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District’s voters may approve.

The District’s tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

**Residential Homestead Exemptions:** The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation if the exemption is adopted by the governing body of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

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

**Freeport Goods and Goods-in-Transit Exemption:** Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for “freeport property,” which is defined as goods detained in the state for 175 days or less for the purpose

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

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

**VALUATION OF PROPERTY FOR TAXATION . . .** Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

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

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

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

**LEVY AND COLLECTION OF TAXES . . .** The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month

it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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

**ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . .** During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which divides water districts into three separate categories and creates new rollback tax rate and election procedures for each category. Under SB 2, an election that could result in a reduction of the water district's operation and maintenance component of the total tax rate will either be required or the voters will have the right to petition for the election if the adopted total tax rate exceeds the threshold established for the applicable category (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Thus, under SB 2, debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Other Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

#### *Low Tax Rate Districts*

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

#### *Developed Districts*

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

#### *Other Districts*

The qualified voters of Other Districts will have the right to petition for an election to reduce the operation and maintenance tax rate only if the Other District adopts a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions. If an election is called and passes, the total tax rate is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

## *The District*

The District has been classified as an “Other District” (sometimes also referred to as a “Developing District”) for the 2022 tax year. A determination as to a District’s status after the 2022 tax year will be made by the Board of Directors of the District on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and result in different rollback tax rate and election procedures.

**DISTRICT’S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units. See “FINANCIAL STATEMENT – Estimated Overlapping Debt Statement.” A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser’s deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See “RISK FACTORS – General – Tax Collections and Foreclosure Remedies.”

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

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

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

## **LEGAL MATTERS**

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

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

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

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

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

## **TAX MATTERS**

**OPINION . . .** On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the District, 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 (i) will be excludable from the “gross income” of the holders thereof and (ii) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue code of 1986 (the “Code”). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See “APPENDIX B – Form of Bond Counsel’s Opinion.”

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

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for the 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 to gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the District with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel’s opinion is not a guarantee of a result. 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 (the “IRS”) by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether the IRS will commence an audit of the Bonds, or as to whether the IRS would agree with the opinion of Bond Counsel. If an IRS audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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



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

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

**COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . .** The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions accumulated, 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 Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

**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 265(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(a)(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 will covenant 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.”**

### CONTINUING DISCLOSURE OF INFORMATION

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

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through EMMA. The financial information and operating data (which will include Tables 1-5) will be provided with respect to the District will be the District’s audited financial statements and supplemental schedules as found in “APPENDIX A – Audited Financial Statements.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2023, if such audited financial statements are then available. If audited financial statements are not available within twelve months after such fiscal year end, then the District will file unaudited financial statements for the applicable fiscal year with the MSRB within such twelve month period, and audited financial statements when the audit report becomes available. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable entity and fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report becomes available.

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

**NOTICE OF CERTAIN EVENTS . . .** The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten (10) business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to the 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 financial obligations 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 event

under the terms of a financial obligation of the obliged person, any of which reflect financial difficulties. The terms “financial obligation” and “material” when used in this paragraph shall have the meaning ascribed to them under federal securities laws.

**AVAILABILITY OF INFORMATION FROM THE MSRB . . .** The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB and will be available to the public free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

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

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

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

## **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Specialized Public Finance Inc. (the “Financial Advisor”), which firm was employed in 2014 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer 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.

## **OFFICIAL STATEMENT**

**PREPARATION . . .** The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT.” The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

“THE DISTRICT” – Engineer, “THE DEVELOPER” – Qualico CR, L.P.; “THE SYSTEM” – Engineer; “UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED” – Records of the District (“Records”), “FINANCIAL STATEMENT” – Travis Central Appraisal District; “ESTIMATED OVERLAPPING DEBT STATEMENT” – Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” and “OPERATING REVENUES AND EXPENSES STATEMENT” – Audits, Records and Tax Assessor/Collector; “MANAGEMENT” – District Directors; “FINANCIAL STATEMENT” – Financial Advisor; “THE BONDS,” “LEGAL MATTERS,” “TAXING PROCEDURES,” “CONTINUING DISCLOSURE OF INFORMATION” and “TAX MATTERS” – McCall, Parkhurst & Horton L.L.P.

**CONSULTANTS . . .** In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

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

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

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

**OFFICIAL STATEMENT “DEEMED FINAL” . . .** For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein “deemed final” by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

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

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

This Official Statement was approved by the Board of Directors of Southeast Travis County Municipal Utility District No. 1, as of the date shown on the first page hereof.

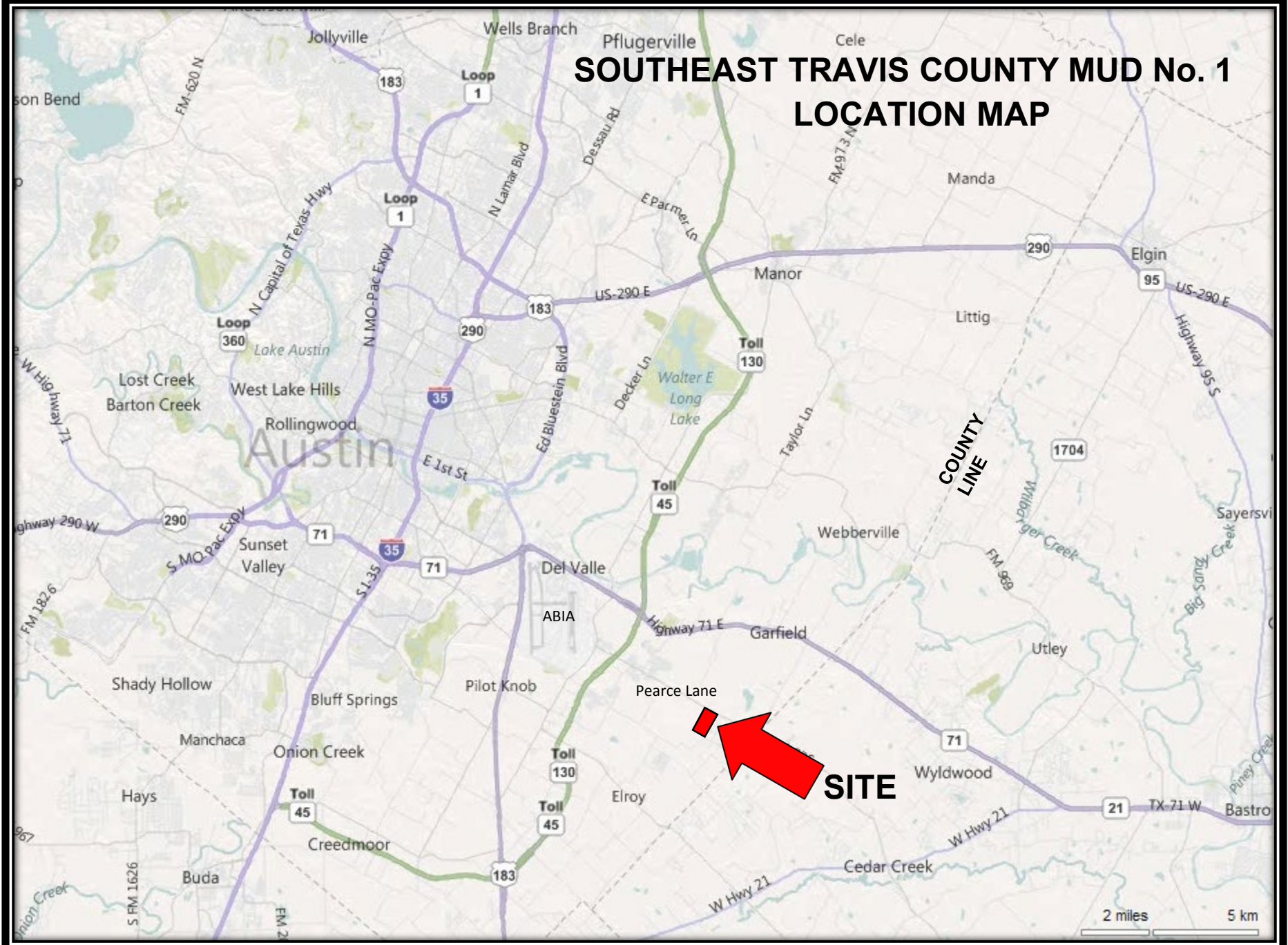
/s/ Hank B. Smith  
President, Board of Directors  
Southeast Travis County Municipal Utility District No. 1

/s/ Robert Thompson  
Secretary, Board of Directors  
Southeast Travis County Municipal Utility District No. 1

## LOCATION MAP

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# SOUTHEAST TRAVIS COUNTY MUD No. 1 LOCATION MAP



# EXHIBIT OF SOUTHEAST TRAVIS COUNTY MUD #1

QUALICO CR LP  
85.733 ac.  
DOC# 2607156323  
O.P.R.T.C.T.X.

QUALICO CR LP  
4.022 ac.  
DOC# 2607160466  
O.P.R.T.C.T.X.

QUALICO CR LP  
299.812 ac.  
DOC# 2607160466  
O.P.R.T.C.T.X.

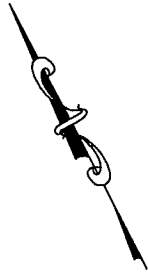
PEARCE LANE

S64°40'51"E 1000.59'

S64°40'52"E 571.91'

C1

POINT OF BEGINNING



SCALE: 1" = 600'

AUNN HARRIS &  
ROBERT BACHADO JR.  
46.00 ACRES  
I.D.# 271890

SON DAU TRUST  
C/O BRENDA J. SWINNEY TRUSTEE  
46.041 ACRES  
VOL. 122774 PG. 02000

GLORIE HERRERA W 2.479 ACRES OF LOT 1  
TIMBER HILLS SUBDIVISION I.D.# 0339600160000  
ALEX & FRANCIS HERRERA E 2.479 ACRES OF LOT 1  
TIMBER HILLS SUBDIVISION I.D.# 0339600160000  
BARCOS RUD LOT 2 LESS 1/4 AC. &  
W 1/4 3.564 ACRES TRISKER HILLS  
SUBDIVISION I.D.# 0339600200000

### Legend

- IRON ROD FOUND
- CALCULATED POINT

**SOUTHEAST TRAVIS  
COUNTY MUD #1  
187.720 ACRES**

N27°42'19"E 4000.33'

S27°34'16"W 1900.84'

S27°39'26"W 763.63'

S27°48'23"W 644.68'

N62°25'02"W 876.13'

L5

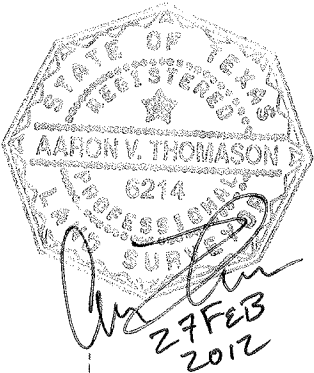
N62°26'16"W 814.31'

L4

MAE SUE RICHARDS  
11979/159  
25.62 ACRES

BERNARD E.  
STRATMAN, JR.  
4488/1362  
25 ACRES

BILLY J.  
CANNADAY, et ux.  
8080/452  
67.70 ACRES



LINE TABLE		
LINE	LENGTH	BEARING
L1	259.21	S27°56'54"W
L2	242.58	S27°43'28"W
L3	252.18	S27°15'41"W
L4	214.78	N63°04'01"W
L5	121.87	N62°23'58"W

CURVE TABLE					
CURVE	RADIUS	LENGTH	CHORD	CHORD BEARING	TANGENT
C1	6411.14'	451.33'	451.24'	S62°50'33"E	225.76

**Carlson, Brigrance & Doering, Inc.**  
Civil Engineering ♦ Surveying  
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## **APPENDIX A**

### **Excerpts from the Annual Financial Report**

The information contained in this APPENDIX has been excerpted from the audited financial statements of Southeast Travis County Municipal Utility District No. 1 for the fiscal year ended September 30, 2022. Certain information not considered to be relevant to this financing has been omitted; however, complete audited reports are available upon request.

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**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
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INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Southeast Travis County  
Municipal Utility District No. 1  
Travis County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of Southeast Travis County Municipal Utility District No. 1 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule - General Fund be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Board of Directors  
Southeast Travis County  
Municipal Utility District No. 1

### **Supplementary Information**

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

### **Other Information**

Management is responsible for the Other Supplementary Information included in the annual report. The Other Supplementary Information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Supplementary Information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

*McCall Gibson Swedlund Barfoot PLLC*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 7, 2023

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**SOUTHEAST TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Southeast Travis County Municipal Utility District No. 1 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the fiscal year ended September 30, 2022. Since this information is designed to focus on current year activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- *General Fund:* At the end of the current fiscal year, the General Fund had a fund balance of \$726,459, an increase of \$383,605 over last year. For the year ended September 30, 2022, General Fund revenues were \$603,829 and expenditures were \$220,224.
- *Debt Service Fund:* Fund balance restricted for debt service increased to \$606,049 in the current fiscal year. The Debt Service Fund received \$240,000 of capitalized interest from the Series 2022 Unlimited Tax Bonds issued during the current fiscal year. The District paid \$68,640 of interest on outstanding debt during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased to \$118,865 in the current fiscal year. During the current fiscal year, the District issued \$3,000,000 of Series 2022 Unlimited Tax Bonds to purchase \$2,032,844 of infrastructure, reimburse developer interest of \$260,279, repay developer advances and creation costs of \$128,419 and fund \$309,736 of bond issuance costs during the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$144,816. Net position decreased from a prior year deficit balance of \$267,768 to a deficit balance of \$412,584 at the end of the current fiscal year.

**OVERVIEW OF THE DISTRICT**

Southeast Travis County Municipal Utility District No. 1 (the “District”), a political subdivision of the State of Texas, was created under Chapter 8382, Subtitle F, Title 6, Texas Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code for, among other purposes, financing the construction of the water, wastewater, drainage, and recreational facilities within its boundaries, as contemplated in the Consent Agreement effective April 13, 2012, as amended, among the City of Austin, Texas (the “City”), Qualico CR, L.P. (the “Developer”) and the District.

**SOUTHEAST TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**USING THIS ANNUAL REPORT**

This annual report consists of five parts:

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

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

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

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

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

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



**SOUTHEAST TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

The following table reflects the condensed Statement of Net Position:

	<u>Summary Statement of Net Position</u>		Change Increase (Decrease)
	Governmental Activities		
	2022	2021	
Current and other assets	\$ 1,471,569	\$ 705,761	\$ 765,808
Non-current assets	3,657,522	1,624,678	2,032,844
<b>Total Assets</b>	<b>5,129,091</b>	<b>2,330,439</b>	<b>2,798,652</b>
Current Liabilities	98,744	39,917	58,827
Long-term Liabilities	5,442,931	2,558,290	2,884,641
<b>Total Liabilities</b>	<b>5,541,675</b>	<b>2,598,207</b>	<b>2,943,468</b>
Net Investment in Capital Assets	(1,654,244)	(715,847)	(938,397)
Restricted	597,320	212,530	384,790
Unrestricted	644,340	235,549	408,791
<b>Total Net Position</b>	<b>\$ (412,584)</b>	<b>\$ (267,768)</b>	<b>\$ (144,816)</b>

As of September 30, 2022, the District had total assets of \$5,129,091 and total liabilities of \$5,541,675 resulting in a deficit in net position of \$412,584. The following table reflects the condensed Statement of Activities:

	<u>Summary Statement of Activities</u>		Change Increase (Decrease)
	Governmental Activities		
	2022	2021	
Property taxes	\$ 392,160	\$ 266,593	\$ 125,567
Drainage fees	420,000	193,500	226,500
Other	7,793	180	7,613
<b>Total Revenues</b>	<b>819,953</b>	<b>460,273</b>	<b>359,680</b>
District operations	223,068	170,073	52,995
Developer interest/creation costs	361,825	296,054	65,771
Debt service	379,876	324,828	55,048
<b>Total Expenses</b>	<b>964,769</b>	<b>790,955</b>	<b>173,814</b>
<b>Change in Net Position</b>	<b>(144,816)</b>	<b>(330,682)</b>	<b>185,866</b>
<b>Beginning Net Position</b>	<b>(267,768)</b>	<b>62,914</b>	<b>(330,682)</b>
<b>Ending Net Position</b>	<b>\$ (412,584)</b>	<b>\$ (267,768)</b>	<b>\$ (144,816)</b>

**SOUTHEAST TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued) -**

Revenues were \$819,953 for the fiscal year ended September 30, 2022, while expenses were \$964,769 resulting in a decrease in net position of \$144,816.

Property tax revenue in the current period was \$392,160. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2021 tax year were based upon a current adjusted assessed value of \$39,451,215 and a tax rate of \$0.98 per \$100 of assessed valuation.

**ANALYSIS OF GOVERNMENTAL FUNDS**

	<u>Governmental Funds by Year</u>	
	2022	2021
Cash and cash equivalents	\$ 1,471,079	\$ 701,374
Receivables and other assets	2,526	10,084
<b>Total Assets</b>	<b>1,473,605</b>	<b>711,458</b>
Accounts payable	19,793	31,337
Other payables	2,036	5,697
<b>Total Liabilities</b>	<b>21,829</b>	<b>37,034</b>
Deferred Inflows of Resources	403	3,454
Nonspendable	87	433
Restricted	724,914	328,116
Unassigned	726,372	342,421
<b>Total Fund Balances</b>	<b>1,451,373</b>	<b>670,970</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 1,473,605</b>	<b>\$ 711,458</b>

As of September 30, 2022, the District's governmental funds reflected a combined fund balance of \$1,451,373. This fund balance includes a \$383,605 increase in the General Fund fund balance.

The Debt Service Fund reflects an increase of \$386,525 in fiscal year 2022. During the current fiscal year, the Debt Service Fund received \$240,000 of capitalized interest from proceeds of its sale of the Series 2022 Unlimited Tax Bonds and paid interest of \$68,640 on outstanding debt. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a \$10,273 increase in fund balance for fiscal year 2022. During the current fiscal year, the District issued \$3,000,000 of Series 2022 Unlimited Tax Bonds to purchase \$2,032,844 of infrastructure, to reimburse developer interest of \$260,279, repay developer advances and creation costs of \$128,419 and to fund \$309,736 of bond issuance costs during the current fiscal year.

**SOUTHEAST TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**INTANGIBLE ASSETS**

Intangible assets, consisting of the right to receive water and wastewater service for infrastructure assets conveyed to the City of Austin (the “City”), are reported in the government-wide column in the Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City. See Note 11 for information concerning the construction and conveyance of certain assets to the City. Pursuant to the Consent Agreement, the intangible assets have indefinite lives. The balance of the intangible assets was \$3,544,793 as of September 30, 2022. More detailed information about the District’s intangible assets is presented in the Notes to the Financial Statements.

**CAPITAL ASSETS**

Capital assets, which include land, easements, detention ponds, drainage facilities and capacity and capacity rights in internal, regional and shared water and wastewater facilities and systems, are reported in the government-wide column in the Statement of Net Position. The balance of the capital assets was \$112,729 as of September 30, 2022. More detailed information about the District’s capital assets is presented in the *Notes to the Financial Statements*.

**LONG TERM DEBT**

As of September 30, 2022, the District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2020	\$ 2,465,000
Series 2022	3,000,000
Total	<u>\$ 5,465,000</u>

As of September 30, 2022, the District owes approximately \$5.5 million to bond holders. As of September 30, 2022, the ratio of the District’s long term debt to the total 2021 taxable assessed valuation (\$39,451,215) is 13.9%. The District’s population as provided by the District, as of May 15, 2022, was 711. More detailed information about the District’s long-term debt is presented in the *Notes to the Financial Statements*.

**BUDGETARY HIGHLIGHTS**

The *General Fund* pays for daily operating costs of the District. On September 1, 2021, the Board of Directors adopted a budget that included revenues of \$383,148 as compared to expenditures of \$214,591. When comparing actual to budget, the District had a positive variance of \$215,048. More detailed information about the District’s budgetary comparison is presented in the *Required Supplementary Information*.

**SOUTHEAST TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2022**

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

For the 2022 tax year (fiscal year 2023), the District has adopted a tax rate of \$0.8944 per \$100 of assessed valuation of which 39% will be used to fund maintenance and operations and 61% will be used to service outstanding debt of the District. The adopted budget for fiscal year 2023 projects a \$49,423 increase in General Fund 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 Armbrust & Brown, PLLC, 100 Congress Ave., Suite 1300, Austin, TX 78701.

## **FINANCIAL STATEMENTS**

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<b>ASSETS</b>						
Cash and cash equivalent investments:						
Cash	\$ 45,412	\$ -	\$ -	\$ 45,412	\$ -	\$ 45,412
Cash equivalent investments	698,717	607,585	119,365	1,425,667	-	1,425,667
Receivables:						
Property taxes	181	222	-	403	-	403
Interfund	2,036	-	-	2,036	(2,036)	-
Prepaid costs	87	-	-	87	-	87
Intangible assets, net of accumulated amortization -						
Right to receive service	-	-	-	-	3,544,793	3,544,793
Capital assets, net of accumulated depreciation -						
Land and easements	-	-	-	-	112,729	112,729
<b>TOTAL ASSETS</b>	<b>\$ 746,433</b>	<b>\$ 607,807</b>	<b>\$ 119,365</b>	<b>\$ 1,473,605</b>	<b>3,655,486</b>	<b>5,129,091</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 19,793	\$ -	\$ -	\$ 19,793	-	19,793
Accrued bond interest payable	-	-	-	-	8,951	8,951
Interfund payables	-	1,536	500	2,036	(2,036)	-
Long-term liabilities -						
Due to developer	-	-	-	-	82,300	82,300
Bonds payable:						
Due within one year	-	-	-	-	70,000	70,000
Due after one year	-	-	-	-	5,360,631	5,360,631
<b>TOTAL LIABILITIES</b>	<b>19,793</b>	<b>1,536</b>	<b>500</b>	<b>21,829</b>	<b>5,519,846</b>	<b>5,541,675</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	181	222	-	403	(403)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>181</b>	<b>222</b>	<b>-</b>	<b>403</b>	<b>(403)</b>	<b>-</b>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Nonspendable - prepaid costs	87	-	-	87	(87)	-
Restricted for debt service	-	606,049	-	606,049	(606,049)	-
Restricted for authorized construction	-	-	118,865	118,865	(118,865)	-
Unassigned	726,372	-	-	726,372	(726,372)	-
<b>TOTAL FUND BALANCES</b>	<b>726,459</b>	<b>606,049</b>	<b>118,865</b>	<b>1,451,373</b>	<b>(1,451,373)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 746,433</b>	<b>\$ 607,807</b>	<b>\$ 119,365</b>	<b>\$ 1,473,605</b>		
Net position:						
Net investment in capital assets					(1,654,244)	(1,654,244)
Restricted for debt service					597,320	597,320
Unrestricted					644,340	644,340
<b>TOTAL NET POSITION</b>					<b>\$ (412,584)</b>	<b>\$ (412,584)</b>

*The accompanying notes are an integral part of this statement.*

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2022**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
<b>REVENUES:</b>						
Property taxes, including penalties	\$ 179,533	\$ 215,678	\$ -	\$ 395,211	\$ (3,051)	\$ 392,160
Drainage fees	420,000	-	-	420,000	-	420,000
Interest and other	4,296	2,731	766	7,793	-	7,793
<b>TOTAL REVENUES</b>	<b>603,829</b>	<b>218,409</b>	<b>766</b>	<b>823,004</b>	<b>(3,051)</b>	<b>819,953</b>
<b>EXPENDITURES / EXPENSES:</b>						
Repairs/maintenance	107,953	-	-	107,953	-	107,953
Infrastructure management fees	10,575	-	-	10,575	-	10,575
Utilities	7,939	-	-	7,939	-	7,939
Lab fees	2,259	-	-	2,259	-	2,259
Legal fees	52,587	-	-	52,587	-	52,587
Engineering fees	3,825	-	-	3,825	-	3,825
Bookkeeping fees	15,700	-	-	15,700	-	15,700
Audit fees	9,750	-	-	9,750	-	9,750
Director fees, including payroll taxes	5,006	-	-	5,006	-	5,006
Insurance	2,189	-	-	2,189	-	2,189
Financial advisor fees	1,347	1,653	-	3,000	-	3,000
Tax appraisal/collection fees	971	1,191	-	2,162	-	2,162
Developer interest	-	-	260,279	260,279	-	260,279
Repay developer advances	-	-	128,419	128,419	(26,873)	101,546
Other	123	-	-	123	-	123
Debt service:						
Interest	-	68,640	-	68,640	1,100	69,740
Fiscal agent fees	-	400	-	400	-	400
Bond issuance costs	-	-	309,736	309,736	-	309,736
Capital outlay	-	-	2,032,844	2,032,844	(2,032,844)	-
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>220,224</b>	<b>71,884</b>	<b>2,731,278</b>	<b>3,023,386</b>	<b>(2,058,617)</b>	<b>964,769</b>
Excess (deficiency) of revenues over (under) expenditures/expenses	383,605	146,525	(2,730,512)	(2,200,382)	2,055,566	(144,816)
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of bonds	-	240,000	2,760,000	3,000,000	(3,000,000)	-
Discount on sale of bonds	-	-	(21,029)	(21,029)	21,029	-
Premium on sale of bonds	-	-	1,814	1,814	(1,814)	-
<b>TOTAL OTHER FINANCING SOURCES, NET</b>	<b>-</b>	<b>240,000</b>	<b>2,740,785</b>	<b>2,980,785</b>	<b>(2,980,785)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>383,605</b>	<b>386,525</b>	<b>10,273</b>	<b>780,403</b>	<b>(780,403)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>(144,816)</b>	<b>(144,816)</b>
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	342,854	219,524	108,592	670,970	(938,738)	(267,768)
End of the year	<u>\$ 726,459</u>	<u>\$ 606,049</u>	<u>\$ 118,865</u>	<u>\$ 1,451,373</u>	<u>\$ (1,863,957)</u>	<u>\$ (412,584)</u>

*The accompanying notes are an integral part of this statement.*

**NOTES TO THE  
FINANCIAL STATEMENTS**



**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Southeast Travis County Municipal Utility District No. 1 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. GAAP for local governments includes those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Reporting Entity** - The District, a political subdivision of the State of Texas, was created under Chapter 8382, Subtitle F, Title 6, Texas Special District Local Laws Code, and Chapters 49 and 54 of the Texas Water Code for, among other purposes, financing the construction of the water, wastewater, drainage, and recreational facilities within its boundaries, as contemplated in the Consent Agreement effective April 13, 2012, as amended, among the City of Austin, Texas (the "City"), Qualico CR, L.P. (the "Developer"), and the District. The reporting entity of the District encompasses those activities and functions over which the District's officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board"), four of which have been elected or deemed elected by District residents or appointed by the Board and one who has been appointed by the City. The District is not included in any other governmental "reporting entity" as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District's reporting entity.

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

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

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

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

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

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

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

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

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

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

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

***Basis of Accounting***

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

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

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

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

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

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

**Budgets and Budgetary Accounting** - An unappropriated budget was adopted on September 1, 2021, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

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

**Cash and Cash Equivalents** - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the State Treasurer’s Investment Pool, are recorded at amortized cost.

**Intangible Assets** - Intangible assets, consisting of the right to receive water and wastewater service for infrastructure assets conveyed to the City of Austin (the “City”), are reported in the government-wide column in the Statement of Net Position. Intangible assets are valued at the cost of water and wastewater facilities conveyed to the City. See Note 11 for information concerning the construction and conveyance of certain assets to the City. Pursuant to the Consent Agreement discussed in Note 11, the intangible assets have indefinite lives.

**Capital Assets** - Capital assets, which include land, easements, detention ponds, drainage facilities and capacity and capacity rights in internal, regional and shared water and wastewater facilities and systems, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including the drainage system, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at their estimated acquisition value at the time received. Interest incurred during construction of capital facilities is not capitalized. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Drainage System	10 - 50
Capacity Rights in Water and Wastewater Facilities	50

**Ad Valorem Property Taxes** - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

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

**Long-Term Debt** - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums and discounts on debt issuances are reported as other financing sources and uses. Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures in both the government-wide and the fund financial statements.

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

- **Nonspendable:** amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- **Restricted:** amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- **Committed:** amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- **Assigned:** amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.
- **Unassigned:** all other spendable amounts in the General Fund.

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

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS**

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

Fund Balances - Total Governmental Funds		\$ 1,451,373
Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:		
Land	112,729	
Intangible assets	3,544,793	3,657,522
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows for revenues earned but not available.		403
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(5,465,000)	
Issuance premiums/discounts, net	34,369	
Due to developer	(82,300)	
Accrued interest	(8,951)	(5,521,882)
Net Position - Governmental Activities		\$ (412,584)

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

Net Change in Fund Balances - Governmental Funds		\$ 780,403
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital outlay in year paid	2,032,844	
Interest expenditures in year paid	(371)	
Repayment of developer advances in year paid	26,873	
Tax revenue when collected	(3,051)	
Bond sales and related bond premium/discount in year received/paid	(2,980,785)	(924,490)
Governmental funds do not report -		
Amortization of bond premiums/discounts	(729)	(729)
Change in Net Position - Governmental Activities		\$ (144,816)

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**3. CASH AND CASH EQUIVALENT INVESTMENTS**

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

***Cash*** - At September 30, 2022, the carrying amount of the District's cash was \$45,412 and the bank balance was \$46,978. The bank balance was covered by federal depository insurance.

***Cash Equivalent Investments*** -

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

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

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

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) --**

At September 30, 2022, the District held the following investments:

Investment	Fair Value at 9/30/2022	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)		
TexPool	\$ 1,425,667	\$ 698,717	\$ 607,585	\$ 119,365	AAAm	Standard & Poors
	<u>\$ 1,425,667</u>	<u>\$ 698,717</u>	<u>\$ 607,585</u>	<u>\$ 119,365</u>		

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

(2) Restricted for purchase of capital assets.

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

*Concentration of credit risk.* In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2022, the District did not own any investments in individual securities.

*Custodial credit risk-deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2022, the District's bank deposits were fully covered by FDIC insurance.

**4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 1, 2021.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2021 tax roll. The tax rate, based on total taxable assessed valuation of \$39,451,215, was \$0.98 on each \$100 valuation and resulted in a fiscal year 2022 tax levy of \$386,622, which was allocated \$0.44 to the General Fund and \$0.54 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.50 was established by the voters at an election held on November 6, 2012.



**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**4. PROPERTY TAXES (continued)**

Property taxes of \$181 and \$222 for the General Fund and Debt Service Fund, respectively, were receivable at September 30, 2022.

**5. INTERFUND ACCOUNTS**

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2022:

	Interfund	
	Receivable	Payable
<b>General Fund:</b>		
Debt Service Fund	\$ 1,536	\$ -
Capital Projects Fund	500	-
<b>Debt Service Fund -</b>		
General Fund	-	1,536
<b>Capital Projects Fund -</b>		
General Fund	-	500
	\$ 2,036	\$ 2,036

**6. CHANGES IN INTANGIBLE ASSETS**

Changes in intangible assets are summarized in the following table:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Intangible assets -				
Right to receive water and wastewater service	\$ 1,511,949	\$ 2,032,844	\$ -	\$ 3,544,793
Total intangible assets	\$ 1,511,949	\$ 2,032,844	\$ -	\$ 3,544,793

**7. CHANGES IN CAPITAL ASSETS**

Changes in capital assets are summarized in the following table:

	Balance 10/1/2021	Additions	Deletions	Balance 9/30/2022
Capital assets -				
Land	\$ 112,729	\$ -	\$ -	\$ 112,729
Total capital assets	\$ 112,729	\$ -	\$ -	\$ 112,729

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**8. BONDED DEBT**

The following is a summary of bond transactions of the District for the year ended September 30, 2022:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2021	\$ 2,465,000
Bonds issued	3,000,000
Bond premiums/discounts, net	(34,369)
Bonds payable at September 30, 2022	\$ 5,430,631

Bonds payable at September 30, 2022, were comprised of the following individual issues:

**Unlimited Tax Bonds:**

\$2,465,000 – 2020 Unlimited Tax Bonds payable serially through the year 2045 at interest rates which range from 1.70% to 3.10%. Bonds maturing on or after August 15, 2026 are callable prior to maturity beginning August 15, 2025, or any date thereafter. Bonds maturing August 15, 2036, 2039, 2042, and 2045 are term bonds and are subject to mandatory sinking fund redemption.

\$3,000,000 – 2022 Unlimited Tax Bonds payable serially through the year 2047 at interest rates which range from 4.00% to 5.00%. Bonds maturing on or after August 15, 2028 are callable prior to maturity beginning August 15, 2027, or any date thereafter. Bonds maturing August 15, 2029, 2034, 2036, 2038, 2040, 2043, and 2047 are term bonds and are subject to mandatory sinking fund redemption.

On September 29, 2022, the District issued Unlimited Tax Bonds, Series 2022, of \$3,000,000 with interest rates ranging from 4.00% to 5.00%. The net proceeds of \$2,671,549 (after payment of underwriter fees and other bond related costs) were used to finance developer funded construction and creation costs, fund future interest payments and pay subsequent bond issue costs.

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

**8. BONDED DEBT (continued) -**

The annual requirements to amortize all bonded debt at September 30, 2022, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2023	\$ 70,000	\$ 188,467	\$ 258,467
2024	70,000	203,962	273,962
2025	145,000	202,703	347,703
2026	150,000	198,402	348,402
2027	160,000	193,828	353,828
2028-2032	905,000	888,317	1,793,317
2033-2037	1,135,000	715,341	1,850,341
2038-2042	1,405,000	481,219	1,886,219
2043-2047	1,425,000	176,953	1,601,953
	\$ 5,465,000	\$ 3,249,192	\$ 8,714,192

Bonds authorized but not issued as of September 30, 2022, are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 16,600,000
Road Bonds	\$ 7,500,000
Park and Recreational Facilities	\$ 1,541,650

\$606,049 is available in the Debt Service Fund to service the bonded debt.

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

**9. COMMITMENTS AND CONTINGENCIES**

The Developer of the land within the District has incurred costs related to construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the Developer by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality. On November 6, 2012, a bond election held within the District approved authorization to issue \$22,065,000 of bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer's report. Additionally, \$1,541,650 of bonds to fund costs for parks and recreational facilities and \$7,500,000 of bonds to fund costs of road improvements were approved by voters of the District. As of September 30, 2022, \$5,465,000 of bonds have been issued to reimburse the Developer. As of September 30, 2022, the District owed \$82,300 to the developer for advances used to fund operating activities.

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**10. RISK MANAGEMENT**

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

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

**11. CONSENT AGREEMENT**

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**12. STRATEGIC PARTNERSHIP AGREEMENT**

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

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

Following the City's full purpose annexation, the City will provide additional municipal services within the District in accordance with an agreed upon service plan. Residents will be citizens of the City for all purposes and will have all of the rights, privileges and responsibilities accorded to citizens residing in all other areas of the City's incorporated city limits. The District agrees that the City may charge and collect a special surcharge on the water and sewer rates charged within the District for the purpose of wholly or partially compensating the City for its assumption of the debt obligations of the District at the time of full purpose annexation.

**13. SHARED FACILITIES AGREEMENT**

The District, the Developer, and Southeast Travis County Municipal Utility District No. 2 ("District No. 2") entered into a Joint Facilities Agreement [Sun Chase Pond D] dated effective August 8, 2018 (the "JFA [Pond D]"). Under the JFA [Pond D], the District agrees to share in the design, financing and construction of a detention pond serving land within the District and District No. 2. Also under the JFA [Pond D], upon completion of construction of the detention pond, the District and District No. 2 agree to share on a pro rata basis in ongoing operation and maintenance costs for the detention pond based on the following allocation percentages:

<u>District</u>	<u>Allocation %</u>
The District	32%
District No. 2	68%

Pursuant to the JFA [Pond D], the District will serve as the managing district for purposes of managing the operation, maintenance and repair of the detention pond.

The District, District No. 2, Southeast Travis County Municipal Utility District No. 3 (the "Managing District") and Southeast Travis County Municipal Utility District No. 4 (collectively, the "Participating Districts") and the Developer entered into a Shared Road Improvements Agreement, a Shared Park Improvements Agreement, and a Shared Drainage Improvements Agreement, each dated effective March 5, 2015. As provided in such shared improvements agreements, the Developer will fund construction of all road improvements, park improvements and drainage improvements, and the Developer may be reimbursed by each Participating District for its pro rata share of such construction costs based on its allocation percentage under such agreements in accordance with its respective reimbursement agreement with the Developer.

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**13. SHARED FACILITIES AGREEMENT (continued) –**

Upon completion of the construction of the road improvements, the Developer or the Managing District will convey the road improvements to the State of Texas, Travis County or the City of Austin, as applicable, for ownership, operation and maintenance. Upon completion of the construction of park improvements by the Developer, the Participating Districts will share on a pro rata basis in the ongoing maintenance costs of the park improvements based on the allocation percentages set forth in the Shared Park Improvement Agreement. Upon completion of the construction of drainage improvements by the Developer, the Participating Districts will share on a pro rata basis in the ongoing maintenance costs of the drainage improvements based on the allocation percentages set forth in the Shared Drainage Improvements Agreement.

The District, the other Participating Districts, and the Developer entered into a Shared Water and Wastewater Facility Agreement dated effective August 14, 2015, as amended. Under the Shared Water and Wastewater Facility Agreement, the District agrees to share in the design, financing and construction of certain water and wastewater facilities serving the Participating Districts. Costs of the water and wastewater facilities are to be allocated to each of the Participating Districts based on an allocation percentage defined in the Shared Water and Wastewater Facility Agreement and based on each Participating District's allocated capacity in the water and wastewater facilities. Upon completion of the construction of the shared water and wastewater facilities, the Developer or the Managing District will convey the facilities to the City of Austin for ownership, operation and maintenance.

The District, District No. 2, the Managing District, and the Developer entered into a Joint Facilities Agreement [Sun Chase Phase One Water Extension and WW Improvements] dated effective August 7, 2019, as amended, (the "JFA [Phase One]"). Under the JFA [Phase One], the District agreed to share in the design, financing and construction of certain water facilities serving the District and District No. 2, and certain wastewater facilities serving the District, District No. 2, and the Managing District. Costs of the water facilities are allocated to the District and District No. 2 based on an allocation percentage defined in the JFA [Phase One] and based on each of the District and District No. 2's allocated capacity in the water facilities. Costs of the wastewater facilities are allocated to the District, District No. 2, and the Managing District based on an allocation percentage defined in the JFA [Phase One] and based on each of the District, District No. 2, and the Managing District's allocated capacity in the wastewater facilities. The Developer has constructed the shared water and wastewater facilities under the JFA [Phase One], and has conveyed the facilities to the City of Austin for ownership, operation and maintenance, subject to (a) a capacity interest reserved for the provision of water service to the District and District No. 2, and the Developer's right to reimbursement from the District and District No. 2 for the cost of the water facilities, and (b) a capacity interest reserved for the provision of water service to the District, District No. 2, and the Managing District, and the Developer's right to reimbursement from the District, District No. 2, and the Managing District for the cost of the wastewater facilities.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2022**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 179,533	\$ 170,148	\$ 9,385
Drainage fees	420,000	213,000	207,000
Interest and other	4,296	-	4,296
<b>TOTAL REVENUES</b>	<u>603,829</u>	<u>383,148</u>	<u>220,681</u>
<b>EXPENDITURES:</b>			
Repairs/maintenance	107,953	88,945	(19,008)
Infrastructure management fees	10,575	11,400	825
Utilities	7,939	10,599	2,660
Lab fees	2,259	3,200	941
Legal fees	52,587	48,000	(4,587)
Engineering fees	3,825	10,800	6,975
Bookkeeping fees	15,700	16,800	1,100
Audit fees	9,750	9,500	(250)
Director fees, including payroll taxes	5,006	9,720	4,714
Insurance	2,189	2,000	(189)
Financial advisor fees	1,347	1,347	-
Tax appraisal/collection fees	971	1,200	229
Other	123	1,080	957
<b>TOTAL EXPENDITURES</b>	<u>220,224</u>	<u>214,591</u>	<u>(5,633)</u>
<b>NET CHANGE IN FUND BALANCE</b>	383,605	<u>\$ 168,557</u>	<u>\$ 215,048</u>
<b>FUND BALANCE:</b>			
Beginning of the year	<u>342,854</u>		
End of the year	<u>\$ 726,459</u>		



**APPENDIX B**

**Form of Bond Counsel's Opinion**

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

**SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
UNLIMITED TAX BONDS, SERIES 2023  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,855,000**

**AS BOND COUNSEL FOR THE SOUTHEAST TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1** (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on June 7, 2023, authorizing the issuance of the Bonds (the "Bond Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, including the Bond Order and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the District upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

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

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



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

**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

**WE CALL YOUR ATTENTION TO THE FACT** that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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



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

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

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

Respectfully,

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**APPENDIX C**

**Specimen Municipal Bond Insurance Policy**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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





**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES