

OFFICIAL STATEMENT DATED OCTOBER 18, 2023

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

THE BONDS ARE NOT "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

NEW ISSUE-Book-Entry Only

\$12,275,000

LAZY NINE MUNICIPAL UTILITY DISTRICT NO. 1A
(A political subdivision of the State of Texas located within Travis County)
UNLIMITED TAX BONDS
SERIES 2023

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

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

Dated Date: November 1, 2023

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Registrar/Paying Agent") upon surrender of the Bonds for payment. Interest on the Bonds accrues from the date of initial delivery (expected on or about November 15, 2023) (the "Date of Delivery"), and is payable each March 1 and September 1, commencing March 1, 2024, until maturity or prior redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity, as shown below.

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

MATURITY SCHEDULE

\$1,650,000 Term Bonds due September 1, 2030, 52109W BG4 (b), 5.000% Interest Rate, 5.000% Yield (c)
\$1,050,000 Term Bonds due September 1, 2033 (a), 52109W BK5 (b), 5.125% Interest Rate, 5.125% Yield (c)
\$1,235,000 Term Bonds due September 1, 2036 (a), 52109W BN9 (b), 5.250% Interest Rate, 5.250% Yield (c)
\$1,445,000 Term Bonds due September 1, 2039 (a), 52109W BR0 (b), 5.500% Interest Rate, 5.500% Yield (c)
\$1,695,000 Term Bonds due September 1, 2042 (a), 52109W BU3 (b), 5.625% Interest Rate, 5.625% Yield (c)
\$1,995,000 Term Bonds due September 1, 2045 (a), 52109W BX7 (b), 5.625% Interest Rate, 5.800% Yield (c)
\$3,205,000 Term Bonds due September 1, 2049 (a), 52109W CB4 (b), 5.625% Interest Rate, 6.000% Yield (c)

- (a) Bonds maturing on or after September 1, 2031, are subject to redemption at the option of the District prior to their maturity dates in whole, or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent Interest Payment Date (as herein defined) to the date fixed for redemption. The Term Bonds (as defined herein) are also subject to mandatory sinking fund redemption as more fully described herein. See "THE BONDS—Redemption Provisions."
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Initial reoffering yield represents the initial offering yield to the public, which has been established by the Underwriter (as herein defined) for offers to the public and which subsequently may be changed.

The Bonds are offered by the Underwriter subject to prior sale, when, as and if issued by the District and accepted by the Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Austin, Texas, Bond Counsel. See "LEGAL MATTERS." Delivery of the Bonds in book-entry form through the facilities of DTC is expected on or about November 15, 2023.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this OFFICIAL STATEMENT are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, Bond Counsel, 919 Congress Avenue, Suite 1500, Austin, Texas 78701, for further information.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this OFFICIAL STATEMENT for purposes of, and as that term is defined in, SEC Rule 15c2-12, as amended.

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets, Inc. (the "Underwriter") bearing the interest rates shown on the cover page hereof, at a price of 97.0036% of the par value thereof, which resulted in a net effective interest rate of 5.720789%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

Prices and Marketability

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

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

Securities Laws

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

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

<i>Description...</i>	<p>The District is one of the five municipal utility districts that were created by the division of Lazy Nine Municipal Utility District. Lazy Nine Municipal Utility District was originally created by Acts of the 78th Texas Legislature, Regular Session, pursuant to House Bill 3565. House Bill 3565 authorized Lazy Nine Municipal Utility District to divide into multiple districts, subject to a division election. Under this authority and with the approval of the voters at a division election held on November 6, 2007, Lazy Nine Municipal Utility District divided into five municipal utility districts, including the District. The District presently contains approximately 964 acres of land. The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.”</p>
<i>Location...</i>	<p>The District is located in western Travis County along U.S. Highway 71, approximately five miles west of the City of Bee Cave, Texas and approximately 20 miles west of downtown Austin, Texas. The District is within the extraterritorial jurisdiction of the City of Bee Cave. See “THE DISTRICT—Description and Location” and “AERIAL PHOTOGRAPH.”</p>
<i>The Developers...</i>	<p>WSI(II)-COS, L.L.C., a Delaware limited liability company (“WSI”), acquired the land comprising the District and subsequently conveyed the property to two single purpose entities, WS-COS Investments, LLC, a Delaware limited liability company (“WS-COS Investments”) and WS-COS Development, LLC, a Delaware limited liability company (“WS-COS Development”). Each of WSI, WS-COS Investments and WS-COS Development was created by Wheelock Street Capital (“Wheelock”), a Connecticut based real estate investment and development company. WS-COS Investments currently owns approximately 244 acres within the District and WS-COS Development does not own any land within the District. Wheelock, WSI, WS-COS Investments and WS-COS Development are collectively referred to herein as the “WS-COS Entities.”</p> <p>Madrone Canyon, LLC acquired approximately 15 acres from WS-COS Investments and approximately 124 acres from a third-party and has completed the construction of 110 single-family residential lots on approximately 130 of such acres. All of the vacant lots are under contract for sale to three custom homebuilders.</p> <p>Grey Forest Development, LLC (“Grey Forest”) acquired approximately 50 acres from WS-COS Investments and is currently constructing Phase I of a multi-family community that includes 313 completed multi-family apartment homes and 36 garden homes currently under construction, collectively on approximately 17 acres within the District. Construction of the 36 garden homes is underway and expected to be completed in early 2024. Grey Forest continues to own approximately 33 undeveloped but developable acres of land in the District.</p> <p>WS-COS Entities, Madrone Canyon, LLC and Grey Forest are collectively referred to herein as the “Developers.” See “THE DISTRICT—Status of Development” and “THE DEVELOPERS.”</p>

Status of Development...

The single-family residential development in the District is being marketed as Madrone Canyon, a private, gated community. Water, wastewater and storm drainage facilities have been constructed to serve 110 single-family residential lots ranging from one-half acre to one acre on approximately 130 acres. As of August 31, 2023, 10 homes were completed, 9 new homes were under construction and 91 vacant developed lots were available for home construction in the District, of which 6 were under contract to a homebuyer. According to Madrone Canyon, LLC, new homes in the District have a sales price ranging from \$2,800,000 to \$4,000,000. Private recreational facilities that include trails, a playground, a picnic area and BBQ facilities are being constructed for the residents of Madrone Canyon. All of the vacant lots within Madrone Canyon are under contract for sale to three custom homebuilders: Ames Design Build, Sendero Homes and Eppright Homes. See “THE DISTRICT—Status of Development, *Residential Development*.”

Commercial development is being marketed as Sweetwater Crossing and includes a Buick/GMC automobile dealership, a Cadillac automobile dealership and a Dodge/Jeep/RAM automobile dealership collectively constructed on approximately 36 acres of land. Additional commercial development includes a 4,174 square foot 7-Eleven Store constructed on approximately one acre and a 4,940 square foot car wash constructed on approximately 2 acres.

A 128 townhome rental community is under construction by BB Living on approximately 22 acres in the District and is expected to be completed in 2025.

Phase I of a multi-family community includes 313 completed multi-family apartment homes and 36 garden homes currently under construction, collectively on approximately 17 acres within the District. Leasing of the apartment homes began in May 2023 and, according to apartment management, the apartments are currently 20% leased. Construction of the 36 garden homes is underway and expected to be completed in early 2024.

The District also includes approximately 166 vacant acres provided with trunk utilities necessary for development, approximately 136 acres owned by Lake Travis ISD (tax-exempt) where a transportation center and a middle school have been constructed, approximately 33 acres of undeveloped but developable land and approximately 421 acres of land which are not developable (utility easements, canyon land, open space and rights-of-way). See “THE DISTRICT—Land Use” and “—Status of Development.”

Payment Record...

The District has previously issued \$9,500,000 of unlimited tax road bonds in one series, all of which remains outstanding (the “Outstanding Bonds”). The District capitalized twenty-four (24) months of interest from proceeds of the Outstanding Bonds in December 2022 and will capitalize \$1,166,125 of interest from Bond proceeds, which is the maximum amount approved by the TCEQ. The District has never defaulted on the payment of principal and interest on its Outstanding Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt.”

THE BONDS

Description...

The \$12,275,000 Unlimited Tax Bonds, Series 2023 (the “Bonds”) are being issued pursuant to a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature as term bonds on September 1 in each of the years 2030, 2033, 2036, 2039, 2042, 2045 and 2049 (the “Term Bonds”) in the principal amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are dated November 1, 2023 and accrue interest from the Date of Delivery, with interest payable March 1, 2024, and each September 1 and March 1 thereafter, until the earlier of maturity or redemption. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000 in excess thereof. See “THE BONDS.”

Book-Entry-Only System...

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

<i>Redemption...</i>	Bonds maturing on or after September 1, 2031 are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on September 1, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds are also subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds...</i>	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay interest on construction funds, to capitalize \$1,166,125 of interest on the Bonds, which is the maximum amount approved by the TCEQ, and to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “THE SYSTEM.”
<i>Authority for Issuance...</i>	The Bonds are the first series of bonds issued out of an aggregate of \$282,201,820 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing water, wastewater and storm drainage facilities and refunding such bonds. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS—Future Debt” and “THE BONDS—Authority for Issuance.”
<i>Source of Payment...</i>	Principal of and interest on the Bonds and the Outstanding Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Travis County, the State of Texas or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Municipal Bond Rating ...</i>	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.
<i>Not Qualified Tax-Exempt Obligations...</i>	The Bonds are not “qualified tax-exempt obligations” for financial institutions.
<i>Bond Counsel...</i>	Allen Boone Humphries Robinson LLP, Austin, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Financial Advisor...</i>	Masterson Advisors LLC, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Disclosure Counsel...</i>	McCall, Parkhurst & Horton LLP, Houston, Texas. See “MANAGEMENT OF THE DISTRICT.”
<i>Paying Agent/Registrar...</i>	The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See “THE BONDS—Method of Payment of Principal and Interest.”

RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire OFFICIAL STATEMENT with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$152,524,639	(a)
Estimated Taxable Assessed Valuation as of August 15, 2023.....	\$164,096,813	(b)
Gross Direct Debt Outstanding.....	\$21,775,000	(c)
Estimated Overlapping Debt.....	<u>1,813,251</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$23,588,251	
Ratios of Gross Direct Debt to:		
2023 Taxable Assessed Valuation.....	14.28%	
Estimated Taxable Assessed Valuation as of August 15, 2023.....	13.27%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Taxable Assessed Valuation.....	15.47%	
Estimated Taxable Assessed Valuation as of August 15, 2023.....	14.37%	
Funds Available for Debt Service as of September 20, 2023:		
Road Debt Service Funds.....	\$ 664,651	(e)(f)
Capitalized Interest from Bond Proceeds (Water, Wastewater and Drainage).....	<u>1,166,125</u>	(f)(g)
Total Funds Available for Debt Service.....	\$1,830,776	
Operating Funds Available as of September 20, 2023.....	\$498,413	
Road Capital Projects Available as of September 20, 2023.....	\$ 1,801	
2023 Debt Service Tax Rate.....	\$0.425	
2023 Maintenance and Operations Tax Rate.....	<u>0.575</u>	
2023 Total Tax Rate.....	\$1.000	
Average Annual Debt Service Requirement (2024-2049).....	\$1,572,234	(h)
Maximum Annual Debt Service Requirement (2046).....	\$1,628,421	(h)
Tax Rates Required to Pay Average Annual Debt Service (2024-2049) at a 95% Collection Rate		
Based upon 2023 Taxable Assessed Valuation.....	\$1.09	
Based upon Estimated Taxable Assessed Valuation as of August 15, 2023.....	\$1.01	
Tax Rates Required to Pay Maximum Annual Debt Service (2046) at a 95% Collection Rate		
Based upon 2023 Taxable Assessed Valuation.....	\$1.13	
Based upon Estimated Taxable Assessed Valuation as of August 15, 2023.....	\$1.05	

- (a) The Travis Central Appraisal District (the "Appraisal District") has certified \$65,925,131 of taxable assessed value and an additional \$86,599,508 of taxable assessed value remains uncertified and is subject to review and downward revision. No tax will be levied on the uncertified value until it is certified. The 2023 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) The Appraisal District has provided an estimate of the taxable value in the District as of August 15, 2023. New value added in the District between January 1, 2023, and August 15, 2023, will be assessed for taxation as of January 1, 2024 and provided for purposes of taxation in the third quarter of 2024. No tax will be levied on any amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) Includes the Outstanding Bonds and the Bonds. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Outstanding Debt."
- (d) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Estimated Overlapping Debt."
- (e) Represents a portion of the capitalized interest from proceeds of the Outstanding Bonds.
- (f) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities ("Road Bonds"), and a pro rata portion will be allocated to bonds sold for water, wastewater and storm drainage facilities, including the Bonds ("Water, Wastewater and Drainage Bonds") Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities and are not available to pay debt service on bonds issued for water, wastewater and drainage facilities. Funds in the Water, Wastewater and Drainage Debt Service Fund are available to pay debt service on bonds issued for water, wastewater and drainage facilities, including the Bonds, and are not available to pay debt service on the bonds issued for road facilities. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."
- (g) The District will capitalize \$1,166,125 of interest from Bond proceeds to pay debt service on the Bonds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (h) See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements."

OFFICIAL STATEMENT

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

\$12,275,000

UNLIMITED TAX BONDS SERIES 2023

This OFFICIAL STATEMENT provides certain information in connection with the issuance by Lazy Nine Municipal Utility District No. 1A (the “District”) of its \$12,275,000 Unlimited Tax Bonds, Series 2023 (the “Bonds”).

The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”), the terms and conditions of the Bond Resolution (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, an election held within the District, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

This OFFICIAL STATEMENT includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, WSI(II)-COS, L.L.C., a Delaware limited liability company (“WSI”), WS-COS Investments, LLC, a Delaware limited liability company (“WS-COS Investments”), WS-COS Development, LLC, a Delaware limited liability company (“WS-COS Development”), Wheelock Street Capital (“Wheelock”), Madrone Canyon, LLC, and Grey Forest Development, LLC (“Grey Forest”) and development activity in the District. WSI, WS-COS Investments, WS-COS Development and Wheelock are collectively referred to herein as the “WS-COS Entities.” WS-COS Entities, Madrone Canyon, LLC and Grey Forest are collectively referred to herein as the “Developers.” Other descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Allen Boone Humphries Robinson LLP, Bond Counsel, 919 Congress Avenue, Suite 1500, Austin, Texas 78701.

RISK FACTORS

General

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

Dependence on Major Taxpayers and the Developers

The ten principal taxpayers represent \$51,510,487 or 78.13% of the certified portion (\$65,925,131) of the 2023 Taxable Assessed Valuation of \$152,524,639 within the District as of January 1, 2023. See “THE DEVELOPERS” and “TAX DATA—Principal Taxpayers.” A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of August 15, 2023, of \$164,096,813 is not available. The ability of any principal taxpayer to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District’s ability to meet its debt service obligations. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay taxes in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes could have a material adverse effect upon the District’s ability to pay debt service on the Bonds.

None of the Developers nor any future developer or homebuilder is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of any information related to any proposed development should not be interpreted as a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers to implement any plan of development. Furthermore, there is no restriction on any landowner’s right to sell land. The District can make no prediction as to the effects that current or future economic conditions or governmental circumstances may have on any plans of the Developers’ or any other landowners.

Undeveloped Acreage and Vacant Lots

There are approximately 55 acres of undevelopable but developable land in the District (including approximately 22 acres where utility construction is underway for 128 townhome lots). In addition, approximately 166 acres served with trunk utilities remain vacant and 91 single-family residential lots remain vacant. The District makes no representation as to when or if homes and additional taxable improvements will be constructed. Failure to construct taxable improvements on the acreage served with trunk utilities or of the builders to construct homes on developed lots would result the rate of growth of taxable values in the District. The District makes no representation as to when or if development of the undeveloped acreage or the building of homes will occur. See “THE DISTRICT—Land Use.”

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of commercial tracts and businesses, multi-family projects and developed single-family residential lots and homes under construction. The market value of such tracts, homes and lots is related to general economic conditions in the region surrounding the City of Austin, Texas and the national economy and those conditions can affect the demand for commercial tracts and residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see “Credit Market and Liquidity in the Financial Markets” below), construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact such values.

Credit Markets and Liquidity in the Financial Markets

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

Competition

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

The competitive position of the Developers and the builders in Madrone Canyon in the sale of developed tracts and single-family residences within the District is affected by most of the factors discussed in this section. Such a competitive position directly affects the growth and maintenance of taxable values in the District. The District can give no assurance that building and marketing programs in the District by the Developers or homebuilders will be implemented or, if implemented, will be successful.

Possible 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 owners of property within the District to pay their taxes. The 2023 Taxable Assessed Valuation is \$152,524,639 (\$65,925,131 of certified value plus \$86,599,508 of uncertified value). After issuance of the Bonds, the maximum annual debt service requirement will be \$1,628,421 (2046), and the average annual debt service requirement will be \$1,572,234 (2024-2049 inclusive). Assuming no increase or decrease from the 2023 Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of \$1.13 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and \$1.09 per \$100 taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the average annual debt service requirements. The Estimated Taxable Assessed Valuation as of August 15, 2023, is \$164,096,813, which reduces the above calculations to \$1.05 and \$1.01, respectively. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “TAX DATA—Tax Adequacy for Debt Service.”

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the Estimated Taxable Assessed Valuation as of August 15, 2023, will be certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

Dependence on Personal Property Tax Collections

Approximately 13.54% (\$8,926,535) of the certified portion (\$65,925,131) of the 2023 Taxable Assessed Valuation of \$152,525,639 is personal property. Accurate information from the Appraisal District on the amount of other personal property included in the uncertified portion (\$86,599,508) of the 2023 Taxable Assessed Valuation is not available. Most special purpose districts in Texas are not dependent to such an extent on taxes levied on personal property. See “TAX DATA—Tax Roll Information” and “TAXING PROCEDURES—Property Subject to Taxation.”

Unlike real property, there is no certainty that personal property will remain in the District from year-to-year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year.

If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. However, a lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult.

The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitation periods is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See “TAXING PROCEDURES.”

Tax Collections Limitations and Foreclosure Remedies

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

Registered Owners’ Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government’s sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the

District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

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

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

A district may not be forced into bankruptcy involuntarily.

Future Debt

The District has the right to issue obligations other than the Bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. A total of \$282,201,820 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities and refunding such bonds, \$39,046,030 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities and refunding such bonds and \$48,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements and refunding such bonds has been authorized by voters in the District. After the issuance of the Bonds, the District will have \$269,926,820 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities and refunding such bonds authorized but unissued, \$38,500,000 principal amount of unlimited tax bonds for roads and related improvements and refunding such bonds authorized but unissued, and all the unlimited tax bonds authorized for parks and recreational facilities and refunding authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

To date, the Developers have advanced certain funds for construction of water, wastewater and storm drainage facilities, parks and roads for which it has not been reimbursed. After the reimbursements are made with Bond proceeds, the District will continue to owe the Developers approximately \$13,800,000 for such facilities. The District intends to issue additional bonds in order to fully reimburse the Developers. The District does not employ any formula with respect to appraised valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue; however, the principal amount of bonds issued to finance parks may not exceed one percent (1%) of the District's certified value, unless the District meets certain financial feasibility requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. The issuance of additional bonds for water, wastewater, and drainage facilities and parks and recreational facilities is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds; however, the issuance of bonds for roads is not. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See "THE BONDS—Issuance of Additional Debt."

Environmental Regulations

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

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

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

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

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

While the *Sackett* decision removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Marketability of the Bonds

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

Continuing Compliance with Certain Covenants

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

THE BONDS

Description

The Bonds will be dated November 1, 2023 and accrue interest from the Date of Delivery, with interest payable each March 1 and September 1 (each an “Interest Payment Date”), beginning March 1, 2024, and will mature on the dates and in the amounts and accrue interest at the rates shown on the cover page hereof. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000 in excess thereof. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

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

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

Source of Payment

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

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

Funds

In the Bond Resolution, the Water, Sewer and Drainage Debt Service Fund is created, and the proceeds from all taxes levied, appraised and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such fund.

The Water, Sewer and Drainage Debt Service Fund is available for payment of principal and interest on bonds issued for water, wastewater and storm drainage facilities, including the Bonds. It is not available to pay principal or interest on bonds issued for road facilities. The District maintains a Road Debt Service Fund that is available for payment of debt service on bonds issued for road facilities. It is not available to pay principal or interest on bonds issued for water, wastewater and storm drainage facilities, including the Bonds.

An amount equal to \$1,166,125 of capitalized interest, which is the maximum amount approved by the TCEQ, shall be deposited into the Water, Sewer and Drainage Debt Service Fund upon receipt. The remaining proceeds of sale of the Bonds shall be deposited into the Water, Sewer and Drainage Capital Projects Fund, to be used for the purpose of reimbursing the Developers for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Water, Sewer and Drainage Capital Projects Fund will be used as described in the Bond Resolution or ultimately transferred to the Water, Sewer and Drainage Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

No Arbitrage

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

Record Date

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

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2030, 2033, 2036, 2039, 2042, 2045 and 2049 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$1,650,000 Term Bonds		\$1,050,000 Term Bonds		\$1,235,000 Term Bonds	
Due September 1, 2030		Due September 1, 2033		Due September 1, 2036	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2025	\$ 240,000	2031	\$ 330,000	2034	\$ 390,000
2026	255,000	2032	350,000	2035	410,000
2027	265,000	2033 (maturity)	370,000	2036 (maturity)	435,000
2028	280,000				
2029	295,000				
2030 (maturity)	315,000				

\$1,445,000 Term Bonds		\$1,695,000 Term Bonds		\$1,995,000 Term Bonds	
Due September 1, 2039		Due September 1, 2042		Due September 1, 2045	
Mandatory	Principal	Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2037	\$ 455,000	2040	\$ 535,000	2043	\$ 630,000
2038	480,000	2041	565,000	2044	665,000
2039 (maturity)	510,000	2042 (maturity)	595,000	2045 (maturity)	700,000

\$3,205,000 Term Bonds	
Due September 1, 2049	
Mandatory	Principal
Redemption Date	Amount
2046	\$ 740,000
2047	780,000
2048	820,000
2049 (maturity)	865,000

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

Optional Redemption: The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000 on September 1, 2030, or any date thereafter, at a price of par value plus unpaid accrued interest on the principal amounts called for redemption from the most recent Interest Payment Date to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random (or by The Depository Trust Company (“DTC”) in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

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

Authority for Issuance

At a bond election held within the District on May 12, 2012, voters of the District authorized the issuance of \$282,201,820 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities and refunding such bonds. The Bonds are being issued pursuant to such authorization. See “Issuance of Additional Debt” in this section and “RISK FACTORS—Future Debt.”

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

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

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District's voters have authorized the issuance of \$282,201,820 principal amount of unlimited tax bonds for the purpose of purchasing and constructing water, wastewater and storm drainage facilities and refunding such bonds, \$39,046,030 principal amount of unlimited tax bonds for the purpose of purchasing and constructing parks and recreational facilities and refunding such bonds and \$48,000,000 principal amount of unlimited tax bonds for the purpose of constructing roads and related improvements and refunding such bonds. After the issuance of the Bonds, the District will have \$269,926,820 principal amount of unlimited tax bonds for water, wastewater and storm drainage facilities and refunding such bonds authorized but unissued, \$38,500,000 principal amount of unlimited tax bonds for roads and related improvements and refunding such bonds authorized but unissued, and all the unlimited tax bonds authorized for parks and recreational facilities and refunding authorized but unissued.

The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to one percent (1%) of the District's certified taxable assessed valuation, unless, the District meets certain requirements under the TCEQ rules, in which case the outstanding principal amount of such bonds issued by the District may exceed an amount equal to one percent (1%) but not three percent (3%) of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purposes by the qualified voters in the District; (b) approval of the fire plan and bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. The Board has not considered developing a fire plan or calling an election at this time for such purposes. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt/property ratios and might adversely affect the investment security of the Bonds.

The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional bonds could dilute the investment security for the Bonds.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

"(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic."

"(b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them."

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will act in the manner described in this OFFICIAL STATEMENT. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

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

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

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

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

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

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

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

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

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

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs below were compiled by Jones-Heroy & Associates, Inc., engineering consultant to the District and were submitted to the TCEQ in the District's bond application. Non-construction costs are based upon either contract amounts, or estimates of various costs by Malone/Wheeler Inc. (the "Engineer") and Masterson Advisors LLC (the "Financial Advisor"). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

I. CONSTRUCTION COSTS

• Wastewater Treatment Plant.....	\$	570,542
• Wastewater Treatment Plant Expansion.....		334,252
• Treated Effluent Force Main.....		175,958
• Central Lift Station.....		69,998
• Central Lift Station Phase One.....		106,231
• Irrigation Water Storage Tank.....		213,967
• Effluent Holding Pond.....		835,568
• Reclaimed Water Pump Station.....		23,568
• Reclaimed Water Pump Station Building.....		14,552
• Pedernales Summit Parkway Section One Water and Wastewater.....		766,311
• Pedernales Summit Parkway Section Two Water and Wastewater.....		223,581
• Pedernales Summit Parkway Phase Two Water and Wastewater.....		584,698
• Village A Shared Water and Wastewater.....		200,402
• PUA Water Storage Tank Payment.....		323,153
• Wastewater Treatment Plant Permitting.....		222,911
• CCN Application Costs.....		2,048
• Water Impact Fees/Grinder Pump Fees.....		1,218,824
• Wastewater Treatment Plant Lease Payments.....		385,938
• Preliminary Engineering - Shared Water and Wastewater.....		49,796
• Engineering and Testing.....		1,358,559
• Land Costs.....		1,006,703
		1,006,703
Total Construction Costs.....	\$	8,687,560

II. NON-CONSTRUCTION COSTS

• Underwriter's Discount (a).....	\$	367,814
• Operating Expenses.....		236,428
• Capitalized Interest (a).....		1,166,125
• Developer Interest (Estimated).....		1,161,926
		1,161,926
Total Non-Construction Costs.....	\$	2,932,293

III. ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$	546,335
• Bond Application Report.....		68,188
• State Regulatory Fees.....		40,188
• Contingency (a).....		437
		437
Total Issuance Costs and Fees.....	\$	655,148
TOTAL BOND ISSUE.....	\$	12,275,000

(a) The TCEQ approved a maximum of \$1,166,125 of capitalized interest and a maximum Underwriter's discount of 3.00%. Contingency represents the difference in the estimated and actual amount of Underwriter's discount.

THE DISTRICT

General

The District was created by division of Lazy Nine Municipal Utility District at a division election duly called and held on November 6, 2007. Lazy Nine Municipal Utility District was originally created by Acts of the 78th Legislature, Regular Session, pursuant to House Bill 3565. Lazy Nine Municipal Utility District divided into five municipal utility districts, including the District. The District operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water, to construct certain roads within its boundaries and to establish parks and recreational facilities for the residents of the District. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to contract for or employ its own peace officers and, after approval by the TCEQ and the voters of the District, to establish, operate, and maintain fire-fighting facilities. See “THE BONDS—Issuance of Additional Debt.”

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

Description and Location

The District currently contains approximately 964 acres of land and is located in western Travis County approximately five miles west of the City of Bee Cave, Texas and 20 miles west of downtown Austin, Texas. The District is within the extraterritorial jurisdiction of the City of Bee Cave. Principal access to the District is provided from U.S. Highway 71. Several small, undeveloped tracts of land within the District are also located within the boundaries of Lazy Nine Municipal Utility District No. 1B (“MUD 1B”). See “AERIAL PHOTOGRAPH.”

Land Use

The District currently includes approximately 130 acres of single-family residential development (110 one-half acre to one acre lots), approximately 39 acres of completed commercial development, approximately 22 acres under construction for 128 townhomes, approximately 17 acres of multi-family development, approximately 166 vacant acres served with trunk utilities necessary for development, approximately 136 acres owned by Lake Travis ISD (tax-exempt), approximately 33 acres of undeveloped but developable land and approximately 421 undevelopable acres (utility easements, canyon land, detention, open space and right-of-way). The table below represents a detailed breakdown of the current acreage and development in the District.

	<u>Approximate Acres</u>	<u>Lots/Units</u>
<i>Single-Family Residential</i>		
Madrone Canyon	130	110
Commercial Tracts	39	
Lake Travis ISD Facilities (Tax-Exempt)	136	---
Townhomes (a)	22	128
Multi-Family/Garden Homes (b).....	17	349
Future Development (c)	199	---
Non-Developable (d)	<u>421</u>	<u>---</u>
Totals	964	587

- (a) A 128 townhome rental community is under construction on approximately 22 acres in the District and is expected to be completed in 2025. See “Status of Development” herein.
- (b) Phase I of a multi-family community includes 313 completed multi-family apartment homes and 36 garden homes currently under construction, collectively on approximately 17 acres within the District. See “Status of Development” herein.
- (c) Approximately 166 of such acreage is served with trunk utilities necessary for development.
- (d) Includes public rights-of-way, canyon land, detention, open spaces, easements and utility sites.

Status of Development

Residential Development: The single-family residential development in the District is being marketed as Madrone Canyon, a private, gated community. Water, wastewater and storm drainage facilities have been constructed to serve 110 single-family residential lots ranging from one-half acre to one acre on approximately 130 acres. As of August 31, 2023, 10 homes were completed, 9 new homes were under construction and 91 vacant developed lots were available for home construction in the District, of which 6 were under contract to a homebuyer. According to Madrone Canyon, LLC, new homes in the District have a sales price ranging from \$2,800,000 to \$4,000,000. Private recreational facilities that include trails, a playground, picnic area and BBQ facilities are being constructed for the residents of Madrone Canyon.

All of the vacant lots within Madrone Canyon are under contract for sale to three custom home builders: Ames Design Build, Sendero Homes and Eppright Homes.

Commercial Development: Commercial development in the District is being marketed as Sweetwater Crossing and includes a Buick/GMC automobile dealership, a Cadillac automobile dealership and a Dodge/Jeep/RAM automobile dealership collectively constructed on approximately 36 acres of land. Additional commercial development includes a 4,174 square foot 7-Eleven Store constructed on approximately one acre and a 4,940 square foot car wash constructed on approximately 2 acres.

Townhomes: A 128 townhome rental community is under construction by BB Living on approximately 22 acres in the District and is expected to be completed in 2025.

Multi-Family/Garden Home Development: Phase I of a multi-family community includes 313 completed multi-family apartment homes and 36 garden homes currently under construction, collectively on approximately 17 acres within the District. Leasing of the apartment homes began in May 2023 and, according to apartment management, the apartments are currently 20% leased. Construction of the 36 garden homes is underway and expected to be completed in early 2024.

The District also includes approximately 166 vacant acres provided with trunk utilities necessary for development, approximately 136 acres owned by Lake Travis ISD (tax-exempt) where a transportation center and a middle school have been constructed, approximately 33 acres of undeveloped but developable land and approximately 421 acres of land which are not developable (utility easements, canyon land, open space and rights-of-way).

Future Development

The District is currently planned as a mixed-use development. The District anticipates issuing additional bonds to accomplish full development of the District. See “RISK FACTORS—Undeveloped Acreage and Vacant Lots” and “—Future Debt.” The Engineer has stated that under current development plans, the remaining authorized but unissued bonds (\$347,472,850) should be sufficient to finance the construction of water, wastewater, storm drainage, recreation and road facilities to complete full development of the District. See “RISK FACTORS—Future Debt” and “THE SYSTEM.”

THE DEVELOPERS

Role of a Developer

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

Obligations of the Developers

None of the Developers nor any affiliates have made any commitment to pay debt service on the Bonds, and reference to the financial information of the Developers in this OFFICIAL STATEMENT should not be so construed otherwise.

WS-COS Entities

WSI(II)-COS, L.L.C., a Delaware limited liability company (“WSI”), acquired the land currently comprising the District and additional adjacent acres and subsequently conveyed the property to two single purpose entities, WS-COS Investments, LLC, a Delaware limited liability company (“WS-COS Investments”) and WS-COS Development, LLC, a Delaware limited liability company (“WS-COS Development”). Each of WSI, WS-COS Investments and WS-COS Development was created by Wheelock Street Capital (“Wheelock”), a Connecticut based real estate investment and development company. WS-COS Investments currently owns approximately 244 acres within the District and WS-COS Development does not own any land within the District. WS-COS Investments currently anticipates developing the land it owns for commercial purposes. Wheelock, WSI, WS-COS Investments and WS-COS Development are collectively referred to herein as the “WS-COS Entities.”

Madrone Canyon, LLC

Madrone Canyon, LLC acquired approximately 15 acres from WS-COS Investments and approximately 124 acres from a third-party and has completed the construction of 110 single-family residential lots on approximately 130 of such acres where home construction has recently commenced. All of the developed lots have been sold to three custom home builders: Ames Design Build, Sendero Homes and Eppright Homes. Madrone Canyon, LLC does not own any remaining developable land within the District. See “THE DISTRICT—Status of Development, *Residential Development*.”

Grey Forest Development, LLC

Grey Forest Development, LLC (“Grey Forest”) acquired approximately 50 acres from WS-COS Investments and is currently constructing Phase I of a multi-family community that includes 313 completed multi-family apartment homes and 36 garden homes currently under construction, collectively on approximately 17 acres within the District. Construction of the 36 garden homes is underway and expected to be completed in early 2024. Grey Forest continues to own approximately 33 undeveloped but developable acres of land in the District.

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>District Board Title</u>	<u>Term Expires</u>
Jennifer Brown Emerson	President	May 2024
Felicia A. Wright	Vice President	May 2026
Lee Combs	Secretary	May 2026
Bill Phenix	Assistant Secretary	May 2024
Rick Castleberry	Assistant Vice President/Assistant Secretary	May 2024

District Consultants

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

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

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

Auditor: The District's financial statements for the year ended September 30, 2022, were audited by McGrath & Co., PLLC. See APPENDIX A for a copy of the District's September 30, 2022, audited financial statements. The District has engaged McGrath & Co., PLLC to audit its financial statements for the fiscal year ended September 30, 2023.

Engineer: The consulting engineer for the District in connection with the design and construction of the District's facilities is Malone/Wheeler Inc. The District engaged Jones-Heroy & Associates, Inc. as engineering consultant to assist in the preparation of the summary of costs for the Bonds.

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

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

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

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

Disclosure Counsel: McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District in connection with the issuance of the Bonds.

ROAD SYSTEM

Pedernales Summit Parkway, a major collector street, and the collector streets in Sweetwater Crossing Phase I and Phase II currently exist within the District's boundaries. The roadways are designed and constructed in accordance with Travis County standards, rules, and regulations. The public roadway facilities that serve Sweetwater Crossing have been accepted by Travis County for operation and maintenance thereof.

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

THE SYSTEM

Regulation

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

Water, Wastewater and Drainage Facilities

Water Supply: The District has a raw water contract with the Lower Colorado River Authority ("LCRA") whereby the District and Lazy Nine Municipal Utility District No. 1B ("MUD 1B") have the right to a maximum of 974 acre-feet of raw water per year to support development within the districts. The District entered into a Water Utility Facilities Acquisition, Construction and Service Agreement, as amended (the "Water Supply Agreement") with the LCRA. In 2012, the West Travis County Public Utility Agency ("WTCPUA") purchased the water system of LCRA and assumed the obligations of the Water Supply Agreement. Pursuant to the terms of the First Amendment to the Water Supply Agreement dated December 30, 2013, LCRA (now the WTCPUA) is obligated to provide wholesale water service for up to a total of 2,595 Living Unit Equivalents to the District on behalf of the development, including the development within MUD 1B. MUD 1B has entered into a Joint Facilities Agreement with the District dated June 20, 2012, as amended. Pursuant to the terms of the Second Amendment to the Joint Facilities Agreement, the District has a 31.25% share in the water capacity supplied from LCRA/WTCPUA which will adequately serve 811 equivalent single-family connections. As of August 31, 2023, the District was serving 25 active residential and commercial connections (10 completed homes, 9 homes under construction or in a builder's name and 6 commercial connections).

Wastewater Treatment: Wastewater treatment for the District is provided by a wastewater treatment plant owned and operated by the District. The capacity of the treatment plant is currently 400,000 gallons per day. MUD 1B has entered into a Joint Facilities Agreement with the District to share the costs and capacity in the treatment plant and other regional facilities. Pursuant to the terms of the Second Amendment to the Joint Facilities Agreement, dated April 15, 2015, 68.75% of capacity is allocated to the MUD 1B and 31.25% is allocated to the District. According to the Engineer, the District's 31.25% capacity is capable of serving up to 992 equivalent single family connections depending on actual flow rates. This capacity should be able to accommodate the demands generated from development within the District at total build out. As of August 31, 2023, the District was serving 25 active residential and commercial connections (10 completed homes, 9 homes under construction or in a builder's name and 6 commercial connections).

Water Distribution, Wastewater Collection and Storm Drainage Facilities: Water distribution, wastewater collection and storm drainage facilities have been constructed to serve 110 single-family residential lots, approximately 39 acres of commercial tracts, 128 townhomes under construction on approximately 22 acres, approximately 17 acres of multi-family development and approximately 136 acres owned by Lake Travis ISD (tax-exempt). An additional approximately 166 acres are served with trunk utilities necessary for future potential development.

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

Water and Wastewater Operations

The following statement sets forth in condensed form the General Operating Fund as shown in the District's audited financial statements for the fiscal years ending September 30, 2019 through September 30, 2022, and an unaudited summary prepared by the Bookkeeper for the ten month period ended July 31, 2023. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Reference is made to "APPENDIX A" for further and complete information.

	10/1/2022 to 7/31/2023 (unaudited)	Fiscal Year Ended September 30			
		2022	2021	2020	2019
Revenues					
Water & sewer service	\$ 258,039	\$ 165,409	\$ 70,606	\$ 133,915	\$ 154,065
Property taxes	-	212,253	206,913	185,449	205,298
Penalties and interest	57,375	-	-	-	418
Tap connection and inspection	11,713	25,345	120,196	-	-
Investment earnings	-	1,162	-	-	-
Miscellaneous	-	17,100	2,775	736	59
Total Revenues	\$ 783,026	\$ 421,269	\$ 400,490	\$ 320,100	\$ 359,840
Expenditures					
Current service operations					
Professional fees	\$ 175,468	\$ 245,013	\$ 163,744	\$ 164,111	\$ 115,447
Contracted services	70,889	28,257	26,425	18,099	11,059
Repairs and maintenance	54,613	51,519	1,200	17,210	1,200
Administrative	7,583	7,923	8,369	8,589	7,685
Other	4,398	14,183	226	580	1,061
Joint Facilities					
Purchased services	31,601	16,969	3,612	3,740	2,644
Professional fees	8,456	52,056	11,288	6,024	29,223
Contracted services	7,613	2,889	722	612	755
Repairs and maintenance	7,516	29,904	62,902	67,071	16,428
Utilities	4,440	3,491	1,521	1,149	812
Water reservation fees	10,337	10,293	9,625	11,200	13,632
Administrative	7,244	7,012	7,226	6,528	5,824
Other	-	574	590	467	266
Lease - principal (a)	55,891	63,088	57,965	53,257	48,932
Lease - interest (a)	-	6,287	11,410	16,118	20,443
Total Expenditures	\$ 446,049	\$ 539,458	\$ 366,825	\$ 374,755	\$ 275,411
Net Revenues	\$ 336,977	\$ (118,189)	\$ 33,665	\$ (54,655)	\$ 84,429
Other Financing Sources/(Uses)	\$ 48,828	\$ 84,053 (a)	\$ 69,375 (a)	\$ 69,375 (a)	\$ 69,375 (a)
Fund Balance :					
Beginning of Year	\$ 7,671	\$ 41,807	\$ (61,233)	\$ (75,953)	\$ (229,757)
End of Year	\$ 393,476	\$ 7,671	\$ 41,807	\$ (61,233)	\$ (75,953)

(a) Includes \$69,375 of contractual obligations of NASH-Sweetwater, LLC, the developer of MUD 1B, related to expansion of the wastewater facility serving both the District and MUD 1B. See "THE SYSTEM."

FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)

2023 Taxable Assessed Valuation.....	\$152,524,639	(a)
Estimated Taxable Assessed Valuation as of August 15, 2023	\$164,096,813	(b)
Gross Direct Debt Outstanding	\$21,775,000	(c)
Estimated Overlapping Debt	<u>1,813,251</u>	(d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$23,588,251	
Ratios of Gross Direct Debt to:		
2023 Taxable Assessed Valuation.....	14.28%	
Estimated Taxable Assessed Valuation as of August 15, 2023	13.27%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Taxable Assessed Valuation.....	15.47%	
Estimated Taxable Assessed Valuation as of August 15, 2023	14.37%	
Funds Available for Debt Service as of September 20, 2023:		
Road Debt Service Funds	\$ 664,651	(e)(f)
Capitalized Interest from Bond Proceeds (Water, Wastewater and Drainage).....	<u>1,166,125</u>	(f)(g)
Total Funds Available for Debt Service	\$1,830,776	
Operating Funds Available as of September 20, 2023	\$498,413	
Road Capital Projects Funds Available as of September 20, 2023.....	\$ 1,801	

- (a) The Appraisal District has certified \$65,925,131 of taxable assessed value and an additional \$86,599,508 of taxable assessed value remains uncertified and is subject to review and downward revision. No tax will be levied on the uncertified value until it is certified. The 2023 Taxable Assessed Valuation shown throughout this OFFICIAL STATEMENT is the certified value plus the uncertified value. See "TAXING PROCEDURES."
- (b) The Appraisal District has provided an estimate of the taxable value in the District as of August 15, 2023. New value added in the District between January 1, 2023, and August 15, 2023, will be assessed for taxation as of January 1, 2024 and provided for purposes of taxation in the third quarter of 2024. No tax will be levied on any amount until it is certified by the Appraisal District. See "TAXING PROCEDURES."
- (c) Includes the Outstanding Bonds and the Bonds. See "Outstanding Debt" below.
- (d) See "Estimated Overlapping Debt" herein.
- (e) Represents a portion of the capitalized interest from proceeds of the Outstanding Bonds.
- (f) Although all of the District's debt, including the Outstanding Bonds and the Bonds, is payable from an unlimited tax pledge on an equal basis, a pro rata portion of the District's ad valorem tax revenue will be allocated to bonds sold for road facilities ("Road Bonds"), and a pro rata portion will be allocated to bonds sold for water, wastewater and storm drainage facilities, including the Bonds ("Water, Wastewater and Drainage Bonds") Funds in the Road Debt Service Fund are available to pay debt service on the bonds issued for road facilities and are not available to pay debt service on bonds issued for water, wastewater and drainage facilities. Funds in the Water, Wastewater and Drainage Debt Service Fund are available to pay debt service on bonds issued for water, wastewater and drainage facilities, including the Bonds, and are not available to pay debt service on the bonds issued for road facilities. See "Debt Service Requirements" herein.
- (g) The District will capitalize \$1,166,125 of interest from Bond proceeds to pay debt service on the Bonds, which is the maximum amount approved by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

Investments of the District

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

Outstanding Debt

The District has previously issued \$9,500,000 of unlimited tax bonds for road facilities in one series, all of which remains outstanding (the "Outstanding Bonds").

Debt Service Requirements

The following sets forth the debt service on the Outstanding Bonds (see “Outstanding Debt” in this section) and the Bonds. The schedule below does not reflect the fact that the District capitalized twenty-four (24) months of interest from proceeds of the Outstanding Bonds in December 2022 and that \$1,166,125 of interest will be capitalized from Bond proceeds to pay debt service on the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2024	\$ 680,330.00		\$ 531,061.28	\$ 531,061.28	\$ 1,211,391.28
2025	681,080.00	\$ 240,000	668,468.75	908,468.75	1,589,548.75
2026	681,330.00	255,000	656,468.75	911,468.75	1,592,798.75
2027	686,080.00	265,000	643,718.75	908,718.75	1,594,798.75
2028	685,080.00	280,000	630,468.75	910,468.75	1,595,548.75
2029	688,580.00	295,000	616,468.75	911,468.75	1,600,048.75
2030	686,330.00	315,000	601,718.75	916,718.75	1,603,048.75
2031	688,580.00	330,000	585,968.75	915,968.75	1,604,548.75
2032	690,080.00	350,000	569,056.25	919,056.25	1,609,136.25
2033	690,830.00	370,000	551,118.75	921,118.75	1,611,948.75
2034	690,830.00	390,000	532,156.25	922,156.25	1,612,986.25
2035	695,080.00	410,000	511,681.25	921,681.25	1,616,761.25
2036	698,330.00	435,000	490,156.25	925,156.25	1,623,486.25
2037	700,580.00	455,000	467,318.75	922,318.75	1,622,898.75
2038	701,361.25	480,000	442,293.75	922,293.75	1,623,655.00
2039	701,117.50	510,000	415,893.75	925,893.75	1,627,011.25
2040	704,330.00	535,000	387,843.75	922,843.75	1,627,173.75
2041	701,230.00	565,000	357,750.00	922,750.00	1,623,980.00
2042	702,080.00	595,000	325,968.75	920,968.75	1,623,048.75
2043	705,890.00	630,000	292,500.00	922,500.00	1,628,390.00
2044	703,080.00	665,000	257,062.50	922,062.50	1,625,142.50
2045	703,920.00	700,000	219,656.25	919,656.25	1,623,576.25
2046	708,140.00	740,000	180,281.25	920,281.25	1,628,421.25
2047	705,470.00	780,000	138,656.25	918,656.25	1,624,126.25
2048	706,180.00	820,000	94,781.25	914,781.25	1,620,961.25
2049	-	865,000	48,656.25	913,656.25	913,656.25
Total	\$ 17,385,918.75	\$ 12,275,000	\$ 11,217,173.78	\$ 23,492,173.78	\$ 40,878,092.53

Average Annual Debt Service Requirements (2024-2049) \$1,572,234
 Maximum Annual Debt Service Requirement (2046) \$1,628,421

Estimated Overlapping Debt

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Travis County.....	\$ 900,550,000	8/31/2023	0.02%	\$ 180,110
Austin Community College District.....	414,210,000	8/31/2023	0.02%	82,842
Lake Travis Independent School District.....	560,550,000	8/31/2023	0.27%	1,513,485
Travis County Healthcare District.....	173,145,000	8/31/2023	0.02%	34,629
Travis County Emergency Services District No. 6.....	1,150,000	8/31/2023	0.19%	<u>2,185</u>
Total Estimated Overlapping Debt.....				\$ 1,813,251
The District's Total Direct Debt (a).....				<u>21,775,000</u>
Total Direct and Estimated Overlapping Debt.....				\$ 23,588,251
Direct and Estimated Overlapping Debt as a Percentage of:				
2023 Taxable Assessed Valuation of \$152,524,639.....				15.47%
Estimated Taxable Assessed Valuation as of August 15, 2023 of \$164,096,813.....				14.37%

(a) Includes the Outstanding Bonds and the Bonds.

Overlapping Taxes

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

Set forth below are all of the taxes levied for the 2023 tax year by all taxing jurisdictions and the District's 2023 tax rate. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	Tax Rate Per \$100 Taxable <u>Assessed Valuation</u>
Travis County.....	\$ 0.304655
Austin Community College District.....	0.098600
Lake Travis Independent School District.....	1.074100
Travis County Emergency Services District No. 6.....	0.083100
Travis County Healthcare District.....	<u>0.100692</u>
Total Overlapping Tax Rate.....	\$ 1.661147
The District (a).....	<u>1.000000</u>
Total Tax Rate.....	\$ 2.661147

(a) See "TAX DATA—Debt Service Tax" and "—Maintenance and Operations Tax."

TAX DATA

Debt Service Tax

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

Maintenance and Operations Tax

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

Historical Tax Rate Distribution

	2023	2022	2021	2020	2019
Debt Service	\$ 0.425	\$ -	\$ -	\$ -	\$ -
Maintenance and Operations	0.575	1.000	1.000	1.000	1.000
Total	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000	\$ 1.000

Exemptions

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

Additional Penalties

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

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” herein.

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Collections as of August 31, 2023 (a)	
				Amount	Percent
2019	\$ 18,548,110	\$ 1.000	\$ 185,481	\$ 185,481	100.00%
2020	20,691,029	1.000	206,910	206,910	100.00%
2021	21,225,868	1.000	212,259	212,259	100.00%
2022	44,668,600	1.000	446,686	446,686	100.00%
2023	152,524,639	1.000	1,525,246	(b)	(b)

(a) Unaudited.

(b) In the process of collection. Taxes for the 2023 tax year are due January 31, 2024.

Tax Roll Information

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES—Valuation of Property for Taxation"). The following represents the composition of property comprising the 2021 through 2023 Taxable Assessed Valuations. A breakdown related to the uncertified portion of the 2023 Taxable Assessed Valuation, which may be adjusted downward prior to certification, is not included herein. A breakdown related to the Estimated Taxable Assessed Valuation as of August 15, 2023, of \$164,096,813 is not available from the Appraisal District. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

Type of Property	2023 Taxable Assessed Value	2022 Taxable Assessed Value	2021 Taxable Assessed Value
Land	\$ 46,110,363	\$ 49,583,919	\$ 27,892,067
Improvements	23,169,521	793,176	91,839
Personal Property	8,926,535	30,150	23,248
Exemptions	(12,281,288)	(5,738,645)	(6,781,286)
Uncertified Value	86,599,508	-	-
Total Taxable Assessed Valuation	\$ 152,524,639	\$ 44,668,600	\$ 21,225,868

Principal Taxpayers

The following table represents the ten principal taxpayers, the taxable assessed value of such property, and such property's taxable assessed valuation as a percentage of the certified portion (\$65,925,131) of the 2023 Taxable Assessed Valuation of \$152,524,639. This represents ownership as of January 1, 2023. Principal taxpayers list related to the uncertified portion (\$86,599,508) of the 2023 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of August 15, 2023, of \$164,096,813 are not available from the Appraisal District.

Taxpayer	2023 Certified Taxable Assessed Valuation	% of 2023 Certified Taxable Assessed Valuation
Matthews-Barnes Brothers Investment/Covert Cadillac West Inc. (a)	\$ 25,742,537	39.05%
WS-COS Investments (b)	6,699,835	10.16%
ADB Madrone D1-4 LLC	5,475,697	8.31%
Grey Forest Development LLC (b)	4,328,122	6.57%
A3Apricus LLC	2,283,962	3.46%
Surf Thru Inc.	1,892,256	2.87%
MAKIM LLC	1,598,729	2.43%
Individual	1,268,272	1.92%
Individual	1,253,509	1.90%
Sweetwater Crossings Build to Rent LLC (c)	967,568	1.47%
	\$ 51,510,487	78.13%

- (a) Represents taxable assessed valuation associated with the three automobile dealerships in the District. See "THE DISTRICT—Status of Development, *Commercial*."
- (b) See "THE DEVELOPEPRs."
- (c) See "THE DISTRICT—Status of Development, *Townhomes*."

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District’s tax base occurred beyond the 2023 Taxable Assessed Valuation of \$152,524,639 (\$65,925,131 of certified value plus \$86,599,508 of uncertified value) or the Estimated Taxable Assessed Valuation as of August 15, 2023, of \$164,096,813. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and the Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Debt Service Requirements” and “RISK FACTORS—Possible Impact on District Tax Rates” and “—Future Debt.”

Average Annual Debt Service Requirement (2024-2049)	\$1,572,234
\$1.09 Tax Rate on the 2023 Taxable Assessed Valuation	\$1,579,393
\$1.01 Tax Rate on the Estimated Taxable Assessed Valuation as of August 15, 2023	\$1,574,509
Maximum Annual Debt Service Requirement (2046).....	\$1,628,421
\$1.13 Tax Rate on the 2023 Taxable Assessed Valuation	\$1,637,352
\$1.05 Tax Rate on the Estimated Taxable Assessed Valuation as of August 15, 2023	\$1,636,866

No representation or suggestion is made that the uncertified portion of the 2023 Taxable Assessed Valuation will not be adjusted downward prior to certification or that the Estimated Taxable Assessed Valuation as of August 15, 2023, will be certified by the Appraisal District and no person should rely upon such amounts or their inclusion herein as assurance of its attainment. See “TAXING PROCEDURES.”

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Outstanding Bonds, 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 Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS—Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District. See “TAX DATA—Debt Service Tax” and “—Maintenance and Operations Tax.”

Property Tax Code

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

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

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

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

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

Tax Abatement

Travis County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Travis County and the District, under certain circumstances, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, Travis County has not designated land within the District as a reinvestment zone.

Valuation of Property for Taxation

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

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

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement in writing and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in equal monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

Additionally, the Texas Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdictions discretion, to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 90% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation. For tax year 2023, the District is classified as a Developing District.

District's Rights in the Event of Tax Delinquencies

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

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

LEGAL MATTERS

Legal Proceedings

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

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

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

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

No Material Adverse Change

The obligations of the Underwriter to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the OFFICIAL STATEMENT.

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986) for the purpose of determining the alternative minimum tax imposed on corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Underwriter with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Underwriter, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

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

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

Tax Accounting Treatment of Original Issue Discount Bonds

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

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

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the cover page of this OFFICIAL STATEMENT, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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

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

Not Qualified Tax-Exempt Obligations

The Bonds are not "qualified tax-exempt obligations" for financial institutions.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

Masterson Advisors LLC is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the OFFICIAL STATEMENT, including the OFFICIAL NOTICE OF SALE and the OFFICIAL BID FORM for the sale of the Bonds. In its capacity as Financial Advisor, Masterson Advisors LLC has compiled and edited this OFFICIAL STATEMENT. The Financial Advisor has reviewed the information in this OFFICIAL STATEMENT in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

In approving this OFFICIAL STATEMENT, the District has relied upon the following consultants.

Tax Assessor/Collector: The information contained in this OFFICIAL STATEMENT relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided the Travis County Tax Office, and is included herein in reliance upon its authority as an expert in assessing and collecting taxes.

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

Engineer: The information contained in this OFFICIAL STATEMENT relating to engineering 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 Malone/Wheeler Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the fiscal year ending September 30, 2022, were audited by McGrath & Co., PLLC, Certified Public Accountants. See "APPENDIX A."

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "THE SYSTEM—Water and Wastewater Operations" has been provided by Bott & Douthitt PLLC and is included herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the Official Statement

If subsequent to the date of the OFFICIAL STATEMENT, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any material adverse event which causes the OFFICIAL STATEMENT to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the OFFICIAL STATEMENT satisfactory to the Underwriter; provided, however, that the obligation of the District to the Underwriter to so amend or supplement the OFFICIAL STATEMENT will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District on or before such date that less than all of the bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 25 days after the end of the underwriting period).

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolution, the District has the following agreement for the benefit of the registered and beneficial Owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its Electronic Municipal Market Access System ("EMMA"). The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this OFFICIAL STATEMENT under the headings "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)," except for "Estimated Overlapping Debt," "TAX DATA," and "APPENDIX A" (Financial Statement of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2023. Any financial statements so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable period to the MSRB within such six 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.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which

reflect financial difficulties. The terms “obligated person” and “financial obligation” when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the “Rule”). The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operational data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from the MSRB

The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through an internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects; nor has the District agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance With Prior Undertakings

Since the District’s first issuance of bonds in 2022, the District has complied in all material respects with its prior continuing disclosure agreement made in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

/s/ Jennifer Brown Emerson
President, Board of Directors

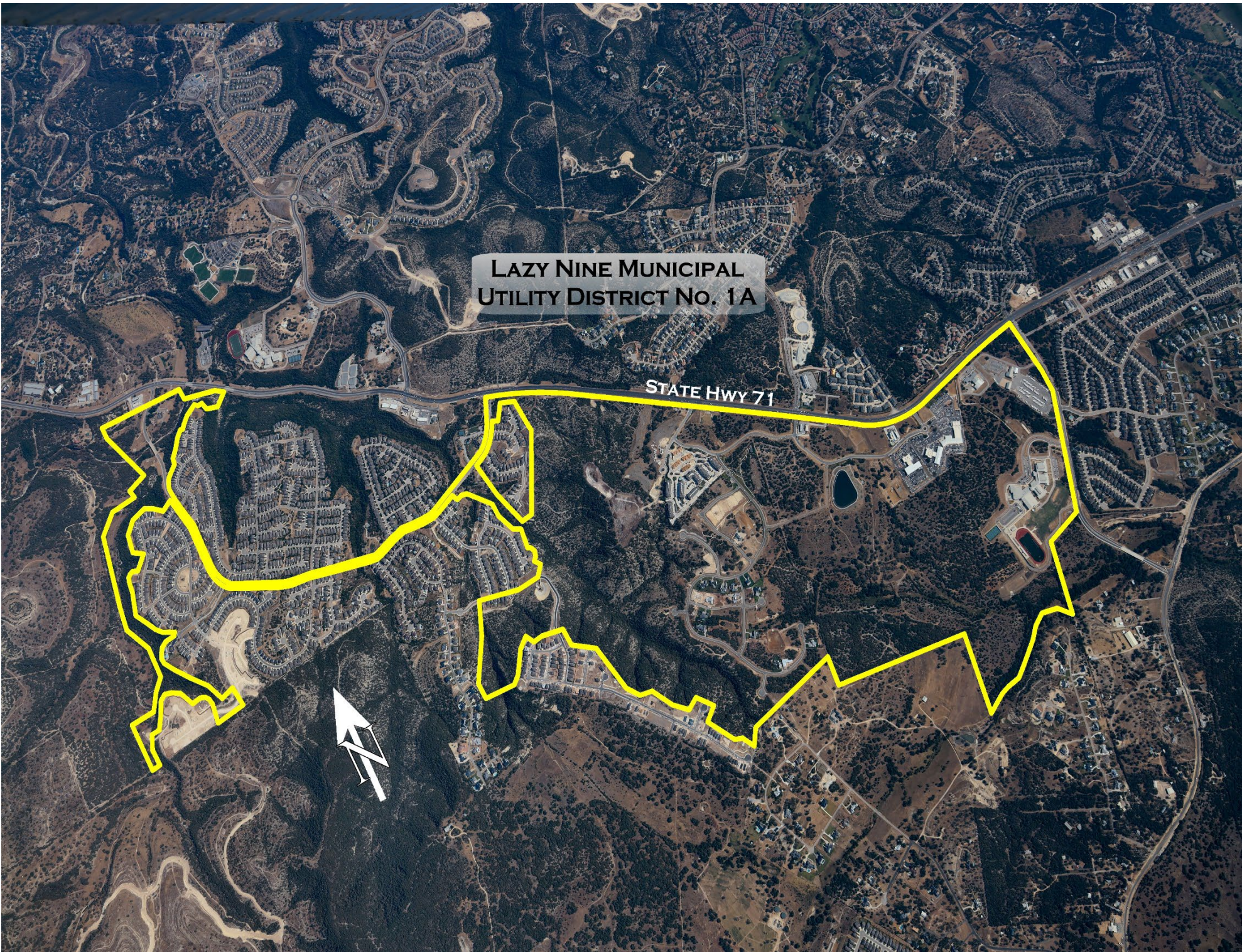
ATTEST:

/s/ Rick Castleberry
Assistant Vice President/Assistant Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of September 2023)

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

STATE HWY 71



**PHOTOGRAPHS OF THE DISTRICT
(As of September 2023)**



























APPENDIX A

Financial Statement of the District for the fiscal year ended September 30, 2022

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

TRAVIS COUNTY, TEXAS

FINANCIAL REPORT

September 30, 2022

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McGRATH & CO., PLLC

Certified Public Accountants

2900 North Loop West, Suite 880

Houston, Texas 77092

Independent Auditor's Report

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

Opinions

We have audited the accompanying financial statements of the governmental activities and General Fund of Lazy Nine Municipal Utility District No. 1A (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 General Fund of Lazy Nine Municipal Utility District No. 1A, as of September 30, 2022, and the respective changes in financial position thereof 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.

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

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 budgetary comparison information 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

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

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.

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



Houston, Texas
January 18, 2023

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Management's Discussion and Analysis

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***Lazy Nine Municipal Utility District No. 1A
Management's Discussion and Analysis
September 30, 2022***

Using this Annual Report

Within this section of the financial report of Lazy Nine Municipal Utility District No. 1A (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2022. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

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

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

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

***Lazy Nine Municipal Utility District No. 1A
Management’s Discussion and Analysis
September 30, 2022***

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

Fund Financial Statements

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

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

Financial Analysis of the District as a Whole

The District’s net position at September 30, 2022, was negative \$14,322,186. This amount is negative because the District relies on advances from its developers to fund operating costs and incurs liabilities to construct public roads which it conveys to Travis County. A comparative summary of the District’s overall financial position, as of September 30, 2022 and 2021, is as follows:

	2022	2021
Current and other assets	\$ 931,541	\$ 662,844
Capital assets	17,079,351	12,273,416
Total assets	18,010,892	12,936,260
Current liabilities	963,217	684,125
Long-term liabilities	31,369,861	23,815,871
Total liabilities	32,333,078	24,499,996
Net position		
Net investment in capital assets	(2,243,184)	(1,827,710)
Unrestricted	(12,079,002)	(9,736,026)
Total net position	\$ (14,322,186)	\$ (11,563,736)

***Lazy Nine Municipal Utility District No. 1A
Management's Discussion and Analysis
September 30, 2022***

The total net position of the District decreased during the current fiscal year by \$2,758,450. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	<u>2022</u>	<u>2021</u>
Revenues		
Property taxes	\$ 212,253	\$ 206,913
Water and sewer service	165,409	70,606
Tap connection and inspection	25,345	120,196
Other	18,262	2,775
Total revenues	<u>421,269</u>	<u>400,490</u>
Expenses		
Current service operations - district facilities	346,895	199,964
Current service operations - joint facilities	123,188	97,486
Interest	6,287	11,410
Depreciation/amortization	476,739	378,548
Total expenses	<u>953,109</u>	<u>687,408</u>
Change in net position before other item	(531,840)	(286,918)
Other item		
Transfers to other governments	<u>(2,226,610)</u>	<u></u>
Change in net position	(2,758,450)	(286,918)
Net position, beginning of year	<u>(11,563,736)</u>	<u>(11,276,818)</u>
Net position, end of year	<u>\$ (14,322,186)</u>	<u>\$ (11,563,736)</u>

Financial Analysis of the District's General Fund

A comparative summary of the General Fund's financial position as of September 30, 2022 and 2021 is as follows:

	<u>2022</u>	<u>2021</u>
Total assets	<u>\$ 931,541</u>	<u>\$ 662,844</u>
Total liabilities	\$ 923,870	\$ 621,037
Total fund balance	7,671	41,807
Total liabilities and fund balance	<u>\$ 931,541</u>	<u>\$ 662,844</u>

**Lazy Nine Municipal Utility District No. 1A
 Management’s Discussion and Analysis
 September 30, 2022**

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

	2022	2021
Total revenues	\$ 421,269	\$ 400,490
Total expenditures	(539,458)	(366,825)
Revenues over/(under) expenditures	(118,189)	33,665
Other changes in fund balance	84,053	69,375
Net change in fund balance	<u>\$ (34,136)</u>	<u>\$ 103,040</u>

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

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because assessed values increased from prior year.
- Water and sewer service revenues are dependent upon customer usage, which fluctuates from year to year as a result of factors beyond the District’s control.
- The District’s developer advances funds to the District as needed to pay operating costs.

General Fund Budgetary Highlights

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

Since the District’s budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$50,868 greater than budgeted. The *Budgetary Comparison Schedule* on page 30 of this report provides variance information per financial statement line item.

Capital Assets

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

***Lazy Nine Municipal Utility District No. 1A
Management's Discussion and Analysis
September 30, 2022***

Capital assets held by the District at September 30, 2022 and 2021 are summarized as follows:

	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated/amortized		
Land and improvements	\$ 1,155,213	\$ 138,732
Capital assets being depreciated/amortized		
Investment in regional facilities	4,280,594	4,280,594
Infrastructure	12,279,868	9,232,499
Other facilities	264,506	264,506
Right-to-use leased asset - wastewater treatment plant	320,848	320,848
Impact fees	1,218,824	
	<u>18,364,640</u>	<u>14,098,447</u>
Less accumulated depreciation/amortization		
Investment in regional facilities	(1,041,721)	(945,734)
Infrastructure	(994,041)	(721,155)
Other facilities	(90,856)	(77,630)
Right-to-use leased asset - wastewater treatment plant	(283,413)	(219,244)
Impact fees	(30,471)	
	<u>(2,440,502)</u>	<u>(1,963,763)</u>
Depreciable capital assets, net	<u>15,924,138</u>	<u>12,134,684</u>
Capital assets, net	<u>\$ 17,079,351</u>	<u>\$ 12,273,416</u>

Capital asset additions during the current year include the following:

- Water impact fees paid to West Travis County Public Utility Agency
- Utilities to serve Madrone Canyon

During the current year, the District revised its estimate of the amounts due to developer for certain capital assets and adjusted the values of those assets accordingly

Additionally, Travis County assumes responsibility (after a one-year maintenance period) for road facilities constructed within the boundaries of the County. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developers are reimbursed. For the ended September 30, 2022, the District reported transfers to other governments in the amount of \$2,226,610 for adjustments to the value of projects completed in previous fiscal years. Additional information is presented in Note 8.

Lease Obligations

On June 21, 2017, the District has entered into a 60-month lease for a temporary wastewater treatment plant. The District paid \$69,375 pursuant to this lease during the year. The balance due for the lease as of September 30, 2022, was \$39,347.

***Lazy Nine Municipal Utility District No. 1A
Management’s Discussion and Analysis
September 30, 2022***

Long-Term Debt and Related Liabilities

As of September 30, 2022, the District owes approximately \$31,369,861 to its developers for completed projects and operating advances. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District’s financial statements upon completion of construction. The District intends to reimburse the developers from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developers is tried up when the developers are reimbursed.

At September 30, 2022, the District had \$282,201,820 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District and the refunding of such bonds; \$39,046,030 for parks and recreational facilities and the refunding of such bonds; and \$48,000,000 for road improvements and the refunding of such bonds.

Next Year’s Budget

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

	<u>2022 Actual</u>	<u>2023 Budget</u>
Total revenues	\$ 421,269	\$ 931,946
Total expenditures	(539,458)	(853,965)
Revenues over/(under) expenditures	(118,189)	77,981
Other changes in fund balance	84,053	69,375
Net change in fund balance	(34,136)	147,356
Beginning fund balance	41,807	7,671
Ending fund balance	<u>\$ 7,671</u>	<u>\$ 155,027</u>

Property Taxes

The District’s property tax base increased approximately \$24,151,000 for the 2022 tax year from \$21,225,301 to \$45,375,935. This increase was primarily due to increased property values. For the 2022 tax year, the District has levied a maintenance tax rate of \$1.00 per \$100 of assessed value. These are the same rates levied for the 2021 tax year.

Basic Financial Statements

Lazy Nine Municipal Utility District No. 1A
Statement of Net Position and Governmental Fund Balance Sheet
September 30, 2022

	General Fund	Adjustments	Statement of Net Position
Assets			
Cash	\$ 318,768	\$ -	\$ 318,768
Investments	159,824		159,824
Customer service receivables	60,519		60,519
Due from other governments	325,153		325,153
Other receivables	35,770		35,770
Prepaid items	31,507		31,507
Capital assets not being depreciated		1,155,213	1,155,213
Capital assets, net		15,924,138	15,924,138
Total Assets	<u>\$ 931,541</u>	<u>17,079,351</u>	<u>18,010,892</u>
Liabilities			
Accounts payable	\$ 208,586		208,586
Accrued expenses	440,913		440,913
Other payables	754		754
Builder deposits	31,617		31,617
Unearned revenues	242,000		242,000
Lease obligations			
Due within one year		39,347	39,347
Due to developers		31,369,861	31,369,861
Total Liabilities	<u>923,870</u>	<u>31,409,208</u>	<u>32,333,078</u>
Fund Balance/Net Position			
Fund Balance			
Nonspendable	31,507	(31,507)	
Unassigned	(23,836)	23,836	
Total Fund Balance	<u>7,671</u>	<u>(7,671)</u>	
Total Liabilities and Fund Balances	<u>\$ 931,541</u>		
Net Position			
Net investment in capital assets		(2,243,184)	(2,243,184)
Unrestricted		(12,079,002)	(12,079,002)
Total Net Position		<u>\$ (14,322,186)</u>	<u>\$ (14,322,186)</u>

See notes to basic financial statements.

Lazy Nine Municipal Utility District No. 1A
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance
For the Year Ended September 30, 2022

	General Fund	Adjustments	Statement of Activities
Revenues			
Property taxes	\$ 212,253	\$ -	\$ 212,253
Water service	150,781		150,781
Sewer service	14,628		14,628
Tap connection and inspection fees	25,345		25,345
Miscellaneous	17,100		17,100
Investment earnings	1,162		1,162
Total Revenues	421,269		421,269
Expenditures/Expenses			
Current service operations			
District facilities			
Professional fees	245,013		245,013
Contracted services	28,257		28,257
Repairs and maintenance	51,519		51,519
Administrative	7,923		7,923
Other	14,183		14,183
Joint facilities			
Purchased services	16,969		16,969
Professional fees	52,056		52,056
Contracted services	2,889		2,889
Repairs and maintenance	29,904		29,904
Utilities	3,491		3,491
Water reservation fees	10,293		10,293
Administrative	7,012		7,012
Other	574		574
Debt service			
Lease - principal	63,088	(63,088)	
Lease - interest	6,287		6,287
Depreciation/amortization		476,739	476,739
Total Expenditures/Expenses	539,458	413,651	953,109
Revenues Under Expenditures/Expenses	(118,189)	(413,651)	(531,840)
Other Financing Sources			
Developer advances	84,053	(84,053)	
Other Item			
Transfers to other governments		(2,226,610)	(2,226,610)
Net Change in Fund Balance	(34,136)	34,136	
Change in Net Position		(2,758,450)	(2,758,450)
Fund Balance/Net Position			
Beginning of the year	41,807	(11,605,543)	(11,563,736)
End of the year	\$ 7,671	\$ (14,329,857)	\$ (14,322,186)

See notes to basic financial statements.

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Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 1 – Summary of Significant Accounting Policies

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

Creation

Lazy Nine Municipal Utility District was created by a special act of the 78th Legislature of the State of Texas, Regular Session, Acts 2003, H.B. No. 3565 pursuant to a confirmation election held on May 7, 2005, in accordance with Article XVI, Section 59 of the Texas Constitution and operates in accordance with the Texas Water Code, Chapters 49 and 54. On November 6, 2007, voters of Lazy Nine Municipal Utility District approved a proposition dividing the existing Lazy Nine Municipal Utility District into five districts: the District, Lazy Nine Municipal Utility District No. 1B (MUD 1B), Lazy Nine Municipal Utility District No. 1C (MUD 1C), Lazy Nine Municipal Utility District No. 1D (MUD 1D) and Lazy Nine Municipal Utility District No. 1E (MUD 1E). The land within MUD 1E was sold and is no longer part of the development. In 2012, the boundaries of the remaining districts were altered so that the District and MUD 1B are two roughly equivalent adjacent districts; and MUD 1C and MUD 1D are small dormant districts with no active development.

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. The District uses only a General Fund to account for its operations. The District's activities are financed with operating advances from the developers, revenue from property taxes, and water service fees. Expenditures include costs associated with the daily operations of the District.

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

Measurement Focus and Basis of Accounting

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

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

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

Use of Restricted Resources

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

Prepaid Items

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

Note 1 – Summary of Significant Accounting Policies (continued)

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At September 30, 2022, an allowance for uncollectible accounts was not considered necessary.

Unbilled Service Revenues

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

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of \$50,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Right-to-use leased assets are valued at the present value of lease payments. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Capital assets are depreciated/amortized using the straight-line method as follows:

Assets	Useful Life
Infrastructure	45 years
Interest in joint facilities	20-45 years
Other facilities	20 years
Right-to-use leased assets	5 years
Impact fees	40 years

Deferred Inflows and Outflows of Financial Resources

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

Note 1 – Summary of Significant Accounting Policies (continued)

Net Position – Governmental Activities

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

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

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

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District does not have any restricted fund balances.

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

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 1 – Summary of Significant Accounting Policies (continued)

Use of Estimates

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

Note 2 – Adjustment from Governmental to Government-wide Basis

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

Total fund balance, governmental funds	\$	7,671
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	\$	19,519,853
Less accumulated depreciation/amortization		<u>(2,440,502)</u>
Change due to capital assets		17,079,351
Obligations under leases are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.		
		(39,347)
Amounts due to the District's developers for prefunded construction and operating advances are recorded as a liability in the <i>Statement of Net Position</i> .		
		(31,369,861)
Total net position - governmental activities	<u>\$</u>	<u>(14,322,186)</u>

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

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

Reconciliation of the *Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance* to the *Statement of Activities*

Net change in fund balance - total governmental funds	\$ (34,136)
Governmental funds report the principal portion of lease payments as expenditures in the funds; however, in the <i>Statement of Net Position</i> , these principal payments are recorded as a reduction to the long-term lease liability.	63,088
In the <i>Statement of Activities</i> , the cost of capital assets is charged to depreciation/amortization expense over the estimated useful life of the asset.	(476,739)
Amounts received from the District's developers for operating advances provide financial resources at the fund level, but are recorded as a liability in the <i>Statement of Net Position</i> .	(84,053)
Travis County assumes responsibility for public road facilities constructed within the county. Since these improvements are funded by the developers, financial resources are not expended in the fund financial statements; however, in the <i>Statement of Activities</i> , these amounts are reported as transfers to other governments.	(2,226,610)
Change in net position of governmental activities	<u><u>\$ (2,758,450)</u></u>

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

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

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 3 – Deposits and Investments (continued)

Investments

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

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

As of September 30, 2022, the District’s investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 159,824	AAAm	25 days

TexPool

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

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

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 3 – Deposits and Investments (continued)

Investment Credit and Interest Rate Risk

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

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended September 30, 2022, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets not being depreciated/amortized			
Land and improvements	\$ 138,732	\$ 1,016,481	\$ 1,155,213
Capital assets being depreciated/amortized			
Investment in regional facilities	4,280,594		4,280,594
Infrastructure	9,232,499	3,047,369	12,279,868
Other facilities	264,506		264,506
Right-to-use leased asset - wastewater treatment plant	320,848		320,848
Impact fees		1,218,824	1,218,824
	<u>14,098,447</u>	<u>4,266,193</u>	<u>18,364,640</u>
Less accumulated depreciation/amortization			
Investment in regional facilities	(945,734)	(95,987)	(1,041,721)
Infrastructure	(721,155)	(272,886)	(994,041)
Other facilities	(77,630)	(13,226)	(90,856)
Right-to-use leased asset - wastewater treatment plant	(219,244)	(64,169)	(283,413)
Impact fees		(30,471)	(30,471)
	<u>(1,963,763)</u>	<u>(476,739)</u>	<u>(2,440,502)</u>
Subtotal depreciable capital assets, net	<u>12,134,684</u>	<u>3,789,454</u>	<u>15,924,138</u>
Capital assets, net	<u>\$ 12,273,416</u>	<u>\$ 4,805,935</u>	<u>\$ 17,079,351</u>

Depreciation/amortization expense for the current year was \$476,739.

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 5 – Due to Developers

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

The District’s developers have also advanced funds to the District for operating expenses.

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

Due to developers, beginning of year	\$ 23,776,524
Developer funded construction and adjustments	7,509,284
Advances from developers	84,053
Due to developers, end of year	<u><u>\$ 31,369,861</u></u>

Note 6 – Long-Term Debt

At September 30, 2022, the District had authorized but unissued bonds in the amount of \$282,201,820 for water, sewer and drainage facilities and the refunding of such bonds; \$39,046,030 for park and recreational facilities and the refunding of such bonds; and \$48,000,000 for road improvements and the refunding of such bonds.

Note 7 – Property Taxes

On May 12, 2012, the voters of the District authorized the Board to levy an unlimited tax for all facilities authorized under Article XVI of the Texas Constitution and an operations tax limited to \$1.20 per \$100 of assessed value. On November 6, 2012, the voters of the District authorized the District’s Board of Directors to levy an unlimited tax for road facilities and a tax for use in operating and maintaining roads limited to \$0.25 per \$100 of assessed value.

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

Property taxes are collected based on rates adopted in the year of the levy. The District’s 2022 fiscal year was financed through the 2021 tax levy, pursuant to which the District levied property taxes of \$1.00 per \$100 of assessed value, all of which was allocated to maintenance and operations. The resulting tax levy was \$212,253 on the adjusted taxable value of \$21,225,301.

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 8 – Transfers to Other Governments

Travis County assumes responsibility for the maintenance of public roads constructed within the boundaries of the District. Accordingly, road facilities are considered to be capital assets of Travis County, not the District. The estimated cost of each road project is recorded as a transfer to other government upon completion of construction. This cost is trued-up when the developers are subsequently reimbursed. For the year ended September 30, 2022, the District recorded transfers to other governments in the amount of \$2,226,610 for developers reimbursements for projects completed in previous fiscal years.

Note 9 – Lease Obligations

On June 21, 2017, the District has entered into a lease agreement for a temporary wastewater treatment plant. This lease is for a 60-month term, unless otherwise terminated. The District has the option to extend the lease on a month-to-month basis following expiration of the term. The District is responsible for all ordinary expenses related to repairing and maintaining the equipment. The District’s rights and responsibilities related to this lease agreement are shared with MUD 1B per the Joint Facilities Agreement described in Note 12. Monthly payments for the lease are \$18,500, which is allocated between the District and MUD 1B pursuant to the Joint Facilities Agreement. The District’s pro rata share of the monthly payment is \$5,781.

As required by GASB 87, the District recognized an intangible asset for the right-to-use the underlying leased asset in the amount of \$320,848, which is based on the measurement of the associated lease liability of \$281,785 plus direct costs of \$39,063, which were paid prior to the commencement of the lease. The initial lease liability at the present value of future lease payments using the implicit rate of 8.5%. This long-term liability is reduced as the lease is paid. During the current fiscal year, the District paid \$69,375 for its pro rata share of lease payments and installation costs, which included \$6,287 of interest at the implicit rate stated in the agreement.

The District’s pro rata share of future minimum lease payments as of September 30, 2022 is as follows:

Year	Principal	Interest	Total
2023	\$ 39,347	\$ 1,123	\$ 40,470

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

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 10 – Water Utility Facilities Acquisition, Construction and Service Agreement

On October 13, 2005, Lazy Nine Municipal Utility District, the Lower Colorado River Authority (LCRA), and a developer entered into a Water Utility Facilities Acquisition, Construction and Service Agreement. This agreement was assigned to the West Travis County Public Utility Agency (PUA) effective March 19, 2012, as accepted by the District on December 30, 2013. The District's rights and responsibilities of this Agreement are shared with MUD 1B per the Joint Facilities Agreement described in Note 12. Under the terms of the agreement, the PUA will provide wholesale water service to serve 2,400 Living Unit Equivalents in the District and in MUD 1B and the District agrees to share in the costs of storage facilities. The parties entered into a Second Amendment to the Agreement on September 18, 2014, whereby the parties agreed the PUA will reimburse the District an amount of \$3,713,295 for the Delivery Facilities in incremental amounts as connections are made to the water system. The District has assigned its rights to the reimbursement to the developer.

Note 11 – Raw Water Supply Agreement with Lower Colorado River Authority

Effective February 16, 2009, as amended on March 4, 2019, the District entered into a Firm Water Contract with the LCRA for raw water supply from any source available to the LCRA. The term of the agreement is for 40 years. The District's rights and responsibilities pursuant to this Firm Water Contract are shared with MUD 1B per the Joint Facilities Agreement described in Note 12.

The District is entitled to a maximum annual quantity of 973.81 acre-feet of raw water and is required to pay for this water, regardless of whether the District uses any of the water. For the year ended September 30, 2022, the District paid \$10,293 in water reservation fees in accordance with this agreement.

Note 12 – Joint Facilities Agreement

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

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

The Joint Facilities Agreement was amended on January 21, 2015 and April 15, 2015. As a result of the amendments, the District's pro-rata share decreased from 51% to 31.25% (based on 750 projected ultimate connections in the District and 1,650 projected ultimate connections for MUD 1B).

Lazy Nine Municipal Utility District No. 1A
Notes to Financial Statements
September 30, 2022

Note 13 – Risk Management

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

Note 14 – Economic Dependency

The District is dependent upon its developers for operating advances. The developers continue to own a substantial portion of the taxable property within the District. The developers' willingness to make future operating advances and to pay property taxes will directly affect the District's ability to meet its future obligations.

Note 15 – Subsequent Event

On December 14, 2022, the District issued its \$9,500,000 Series 2022 Unlimited Tax Roads Bonds at a net effective rate of 5.46595%. Proceeds of the bonds were used (1) to reimburse developers for the following: the construction of capital assets within the District and the acquisition of land for certain District facilities; (2) to pay developer interest at the net effective interest rate of the bonds and (3) to pay capitalized interest into the Debt Service Fund.

Required Supplementary Information

*Lazy Nine Municipal Utility District No. 1A
 Required Supplementary Information - Budgetary Comparison Schedule - General Fund
 For the Year Ended September 30, 2022*

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 212,259	\$ 212,253	\$ (6)
Water and sewer service	80,568	165,409	84,841
Tap connection and inspection	11,000	25,345	14,345
Miscellaneous		17,100	17,100
Investment earnings		1,162	1,162
Total Revenues	303,827	421,269	117,442
Expenditures			
Current service operations			
District facilities			
Professional fees	152,000	245,013	(93,013)
Contracted services	20,050	28,257	(8,207)
Repairs and maintenance	15,440	51,519	(36,079)
Administrative	10,879	7,923	2,956
Other	1,756	14,183	(12,427)
Joint facilities			
Purchased services	14,158	16,969	(2,811)
Professional fees	23,438	52,056	(28,618)
Contracted services	2,396	2,889	(493)
Repairs and maintenance	127,114	29,904	97,210
Utilities	3,203	3,491	(288)
Water reservation fees	10,000	10,293	(293)
Administrative	7,500	7,012	488
Other	897	574	323
Debt service			
Lease - principal	63,088	63,088	
Lease - interest	6,287	6,287	
Total Expenditures	458,206	539,458	(81,252)
Revenues Under Expenditures	(154,379)	(118,189)	36,190
Other Financing Sources			
Developer advances	69,375	84,053	14,678
Net Change in Fund Balance	(85,004)	(34,136)	50,868
Fund Balance			
Beginning of the year	41,807	41,807	
End of the year	\$ (43,197)	\$ 7,671	\$ 50,868

Lazy Nine Municipal Utility District No. 1A
Notes to Required Supplementary Information
September 30, 2022

Budgets and Budgetary Accounting

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

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Texas Supplementary Information

Lazy Nine Municipal Utility District No. 1A
TSI-1. Services and Rates
September 30, 2022

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:	\$ 29.00	N/A	N	\$ 4.69	0 to 10,000
				\$ 7.04	10,001 to 20,000
				\$ 11.27	20,001 to 30,000
				\$ 15.02	30,001 to 40,000
				\$ 18.78	40,001 to no limit
Wastewater:	\$ -	N/A	N	\$ 4.70	0 to no limit

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water \$ 75.90 Wastewater \$ 47.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"	1	1	x 1.0	1
1"	5	5	x 2.5	13
1.5"	1	1	x 5.0	5
2"	6	6	x 8.0	48
3"			x 15.0	
4"			x 25.0	
6"	3	3	x 50.0	150
8"			x 80.0	
10"			x 115.0	
Total Water	16	16		217
Total Wastewater	14	14	x 1.0	14

See accompanying auditor's report.

Lazy Nine Municipal Utility District No. 1A
TSI-1. Services and Rates
September 30, 2022

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):

Gallons purchased:	<u>25,185,000</u>	Water Accountability Ratio:
Gallons billed to customers:	<u>24,315,000</u>	(Gallons billed / Gallons pumped)
		<u>96.55%</u>

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

Does the District have Debt Service standby fees? Yes No

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

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

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

5. Location of District:

Is the District located entirely within one county? Yes No

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

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

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

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

Entirely Partly Not at all

ETJs in which the District is located: City of Bee Cave

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

If Yes, by whom? _____

See accompanying auditors' report.

*Lazy Nine Municipal Utility District No. 1A
TSI-2 General Fund Expenditures
For the Year Ended September 30, 2022*

1 of 2

Current service operations - district facilities

Professional fees	
Legal	\$ 151,447
Audit	10,000
Engineering	83,566
	<u>245,013</u>
Contracted services	
Bookkeeping	16,450
Consulting	625
Tap connection and inspection	11,182
	<u>28,257</u>
Repairs and maintenance	<u>51,519</u>
Administrative	
Directors fees	5,100
Other	2,823
	<u>7,923</u>
Other	<u>14,183</u>

Current service operations - joint facilities

Purchased services	<u>16,969</u>
Professional fees	<u>52,056</u>
Contracted services	
Operator	<u>2,889</u>
Repairs and maintenance	<u>29,904</u>
Utilities	<u>3,491</u>
Water reservation fees	<u>10,293</u>
Administrative	
Insurance	<u>7,012</u>
Other	<u>574</u>

See accompanying auditors' report.

*Lazy Nine Municipal Utility District No. 1A
 TSI-2 General Fund Expenditures
 For the Year Ended September 30, 2022*

2 of 2

Debt service

Leases - principal	\$ 63,088
Leases - interest	6,287
	<u>69,375</u>
 Total expenditures	 <u><u>\$ 539,458</u></u>

Reporting of Utility Services in Accordance with HB 3693:

	<u>Usage</u>	<u>Cost</u>
Electrical	309,114 kWh	\$ 1,926
Water	N/A	N/A
Natural Gas	N/A	N/A

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1A
TSI-3. Investments
September 30, 2022

Fund	Interest Rate	Maturity Date	Balance at End of Year
General			
TexPool	Variable	N/A	\$ 159,824

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1A
TSI-4. Taxes Levied and Receivable
September 30, 2022

	Maintenance Taxes
Taxes Receivable, Beginning of Year	\$ -
2021 Original Tax Levy	207,334
Adjustments	4,919
Adjusted Tax Levy	<u>212,253</u>
Total to be accounted for	<u>212,253</u>
Tax collections:	
Current year	<u>212,253</u>
Taxes Receivable, End of Year	<u><u>\$ -</u></u>

	2021	2020	2019	2018
Property Valuations:				
Land	\$ 27,892,067	\$ 26,955,823	\$ 24,851,335	\$ 23,278,528
Improvements	91,839	87,760	32,774	30,166
Personal Property	53,398			
Exemptions	(6,812,003)	(6,352,554)	(6,335,999)	(5,160,518)
Total Property Valuations	<u>\$ 21,225,301</u>	<u>\$ 20,691,029</u>	<u>\$ 18,548,110</u>	<u>\$ 18,148,176</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 1.00	\$ 1.00	\$ 1.00	\$ 1.00
Total Tax Rates per \$100 Valuation	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>	<u>\$ 1.00</u>
Adjusted Tax Levy:	<u>\$ 212,253</u>	<u>\$ 206,910</u>	<u>\$ 185,481</u>	<u>\$ 181,482</u>
Percentage of Taxes Collected to Taxes Levied **	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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

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

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

See accompanying auditors' report.

Lazy Nine Municipal Utility District No. 1A

TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund

For the Last Five Fiscal Years

	Amounts				
	2022	2021	2020	2019	2018
Revenues					
Water service	\$ 150,781	\$ 70,606	\$ 133,915	\$ 154,065	\$ 72,645
Sewer service	14,628				
Property taxes	212,253	206,913	185,449	205,298	3952
Penalties and interest				418	
Tap connection and inspection	25,345	120,196			
Miscellaneous	17,100	2,775	736	59	736
Total Revenues	421,269	400,490	320,100	359,840	77,333
Expenditures					
Current service operations					
District facilities					
Professional fees	245,013	163,744	164,111	115,447	94,061
Contracted services	28,257	26,425	18,099	11,059	17,734
Repairs and maintenance	51,519	1,200	17,210	1,200	1,200
Administrative	7,923	8,369	8,589	7,685	8,590
Other	14,183	226	580	1,061	1,144
Joint facilities					
Purchased services	16,969	3,612	3,740	2,644	3,173
Professional fees	52,056	11,288	6,024	29,223	23,406
Contracted services	2,889	722	612	755	745
Repairs and maintenance	29,904	62,902	67,071	16,428	2,215
Utilities	3,491	1,521	1,149	812	630
Water reservation fees	10,293	9,625	11,200	13,632	15,200
Administrative	7,012	7,226	6,528	5,824	4,585
Other	574	590	467	266	684
Capital					
Capital outlay					39,063
Right-to-use leased asset					281,785
Debt service					
Lease - principal	63,088	57,965	53,257	48,932	19,196
Lease - interest	6,287	11,410	16,118	20,443	9,710
Total Expenditures	539,458	366,825	374,755	275,411	523,121
Revenues Over/(Under) Expenditures	\$ (118,189)	\$ 33,665	\$ (54,655)	\$ 84,429	\$ (445,788)
Total Active Retail Water Connections	16	8	2	3	5
Total Active Retail Wastewater Connections	14	8	N/A	N/A	N/A

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues				
2022	2021	2020	2019	2018
36%	18%	42%	43%	94%
3%				
51%	51%	58%	57%	5%
			*	
6%	30%			
4%	1%	*	*	1%
100%	100%	100%	100%	100%
58%	41%	51%	32%	122%
7%	7%	6%	3%	23%
12%	*	5%	*	2%
2%	2%	3%	2%	11%
3%	*	*	*	1%
4%	1%	1%	1%	4%
12%	3%	2%	8%	30%
1%	*	*	*	1%
7%	16%	21%	5%	3%
1%	*	*	*	1%
2%	2%	3%	4%	20%
2%	2%	2%	2%	6%
*	*	*	*	1%
				51%
				364%
15%	14%	17%	14%	25%
1%	3%	5%	6%	13%
127%	91%	116%	77%	678%
(27%)	9%	(16%)	23%	(578%)

***Lazy Nine Municipal Utility District No. 1A
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended September 30, 2022***

Complete District Mailing Address: 1108 Lavaca St., Suite 510, Austin, Texas 78701
 District Business Telephone Number: (512) 518-2424
 Submission Date of the most recent District Registration Form
 (TWC Sections 36.054 and 49.054): June 15, 2022
 Limit on Fees of Office that a Director may receive during a fiscal year: \$ 7,200
 (Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimburse- ments	Title at Year End
Board Members				
Jennifer B. Emerson	06/22 - 05/24	\$ 1,350	\$ -	President
Felicia Wright	05/18 - 05/26	450		Vice President
Lee Combs	06/22 - 05/26	1,200		Secretary
Billy Phenix	05/20 - 04/24	750		Assistant Secretary
Rick Castleberry	05/20 - 05/24	1,350		Asst. Vice President /Asst. Secretary
Consultants				
Allen Boone Humphries Robinson LLP <i>General legal fees</i>	2012	<u>Amounts Paid</u> \$ 139,650		Attorney
Crossroads Utility Services, LLC	2014	396,345		Operator
Bott & Douthitt PLLC	2008	16,643		Bookkeeper
Travis County Tax Assessor/Collector	2003			Tax Collector
Travis Central Appraisal District	Legislature	856		Property Valuation
Malone/Wheeler, Inc.	2003	310,576		Engineer
McGrath & Co, PLLC	2011	10,000		Auditor
Masterson Advisors LLC	2018			Financial Advisor

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