

OFFICIAL STATEMENT DATED DECEMBER 3, 2019

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: AGM Insured S&P “AA” (stable outlook); Moody’s Underlying “A1”  
See “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE”

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

*THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS.” See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.*

**\$3,310,000**

**Block House Municipal Utility District**

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

**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

**Dated: January 7, 2020**

**Due: April 1, as shown on the inside cover page**

The \$3,310,000 Block House Municipal Utility District Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) constitute obligations solely of Block House Municipal Utility District (the “District”) and are not obligations of the State of Texas (the “State”); the City of Cedar Park, Texas; Williamson County, Texas; or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the date of delivery, currently anticipated to be January 7, 2020, and is payable April 1, 2020, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Bonds will be initially 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.” The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

Proceeds of the Bonds will be used to (i) currently refund a portion of the District’s outstanding Unlimited Tax Refunding Bonds, Series 2014 to achieve debt service savings, and (ii) pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See “MUNICIPAL BOND INSURANCE.”



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**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,  
REDEMPTION PROVISIONS AND CUSIP NUMBERS**  
(see inside cover page)

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The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read the entire Official Statement to obtain information essential to making an informed investment decision.

**Investment in the Bonds is subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”**

The Bonds are offered when, as and if issued by the District, and accepted by the initial purchaser thereof named below (the “Underwriter”) subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on January 7, 2020.

**Hutchinson, Shockey, Erley & Co.**

**MATURITY SCHEDULE**  
(Due April 1)

**CUSIP Prefix: 093674**

<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield<sup>(a)</sup></b>	<b>CUSIP Suffix<sup>(b)</sup></b>	<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield<sup>(a)</sup></b>	<b>CUSIP Suffix<sup>(b)</sup></b>
2024	\$355,000	4.0000%	1.6000%	NP0	2026	\$1,110,000	4.0000%	1.7700%	NR6
2025	380,000	4.0000%	1.7000%	NQ8	2027	1,465,000	4.0000%	1.8700%	NS4

- (a) The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter. The yields may be changed at any time at the discretion of the Underwriter.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

Redemption Provisions: The Bonds are not subject to redemption prior to their stated maturity. See “THE BONDS – Redemption.”

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

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## USE OF INFORMATION IN OFFICIAL STATEMENT

### General

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District's General Counsel, for further information.

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

NONE OF THE DISTRICT, THE FINANCIAL ADVISOR OR THE UNDERWRITER MAKES ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

### Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the District for \$3,706,694.54 (an amount equal to the principal amount of the Bonds, plus an original issue premium of \$433,905.60, and less an Underwriter's discount of \$37,211.06). The Underwriter's obligation is to purchase all of the Bonds, if any Bonds are purchased.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

### 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.

### Securities Laws

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

No registration statement relating to the offer and sale of the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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.

The statements contained in this Official Statement and in other information provided by the District that are not purely historical are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "INVESTMENT CONSIDERATIONS- Forward-Looking Statements."

Any references to website 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 websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

### **MUNICIPAL BOND RATINGS**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds.

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

### **MUNICIPAL BOND INSURANCE**

#### **Bond Insurance Policy**

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

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

#### **Assured Guaranty Municipal Corp.**

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

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

#### *Current Financial Strength Ratings*

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

On December 21, 2018, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

#### *Capitalization of AGM*

At September 30, 2019:

- The policyholders' surplus of AGM was approximately \$2,473 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$1,100 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$1,829 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

#### *Incorporation of Certain Documents by Reference*

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2018 (filed by AGL with the SEC on March 1, 2019);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2019 (filed by AGL with the SEC on May 10, 2019);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2019 (filed by AGL with the SEC on August 8, 2019); and
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019 (filed by AGL with the SEC on November 8, 2019).

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

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

*Miscellaneous Matters*

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

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## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

The District .....	Block House Municipal Utility District (the "District") is a political subdivision of the State of Texas created by an order of the Texas Water Commission, predecessor to the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), adopted on January 12, 1978 and confirmed at an election held within the District on April 4, 1981, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage to the approximately 717 acres within its boundaries, all of which lies within Williamson County, Texas. See "THE DISTRICT – General."
Location .....	The District, which encompasses approximately 717 acres of land, is located in southwestern Williamson County and lies approximately 23.5 miles north of the City of Austin's central business district and adjacent to the City of Cedar Park's city limits. The District lies entirely within the extraterritorial jurisdiction of the City of Cedar Park, Texas. See "THE DISTRICT – Location."
Status of Development .....	Of the approximately 717 acres within the District, approximately 586 acres are developable. As of November 1, 2019, utility facilities have been constructed to serve approximately 555 acres (or 94.7% of the developable acreage) within the District. Development includes 2,168 completed single-family homes. There are no homes currently under construction and 10 vacant developed single-family lots. The District contains approximately 31.48 acres of undeveloped but developable commercial property owned by Paver Family Enterprises L.P. (the "Landowner"). Additional development within the District includes a 4-acre park, a 21-acre park with a swimming pool, ball fields and a playground, a 2-acre park with a heated swimming pool, an approximately 17-acre park, an 800 pupil elementary school located on approximately 16 acres owned by Leander Independent School District, and a Stepping Stone Day Care Center. See "THE DISTRICT – Historical and Current Status of Development" and "INVESTMENT CONSIDERATIONS – Remaining Undeveloped Property."

### THE BONDS

Description .....	The Bonds in the aggregate principal amount of \$3,310,000 mature serially in varying amounts on April 1 of each of the years 2024 through 2027, inclusive, as set forth on the inside cover page hereof. Interest accrues from January 7, 2020 at the rates per annum set forth on the inside cover page hereof and is payable April 1, 2020 and each October 1 and April 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
Redemption .....	The Bonds are not subject to optional redemption prior to their stated maturity. See "THE BONDS - Redemption."
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." <b>The Bonds are obligations solely of the District and are not obligations of the City of Cedar Park, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District.</b> See "THE BONDS - Source of and Security for Payment."
Payment Record .....	The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT - Outstanding Bonds."
Authority for Issuance .....	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State; including Chapter 1207 of the Texas Government Code, as amended; and Chapters 49 and 54 of the Texas Water Code, as amended; an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District and a pricing certificate executed by the pricing officer on the date of sale of the Bonds as authorized in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"). See "THE BONDS – Authority for Issuance."
Use of Proceeds .....	Proceeds from the sale of the Bonds will be used to (i) establish an escrow fund to currently refund a portion of the District's Unlimited Tax Refunding Bonds, Series 2014 to achieve a debt service savings, and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING."



**Bonds Authorized But**

Unissued..... At an election held within the District on April 4, 1981, the voters within the District authorized a total of \$17,325,000 in unlimited tax bonds for water, wastewater and drainage facilities. Additionally, at an election held in the District on January 24, 1998, the voters within the District authorized a total of \$17,000,000 in unlimited tax bonds for water, wastewater, and drainage facilities and refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters will be issued. Therefore, as a result of such elections, the District was authorized to issue a total of \$34,325,000 in unlimited tax bonds to acquire utility facilities and \$25,500,000 in refunding bonds. To date, the District has issued eight installments of unlimited tax bonds to acquire utility facilities in the aggregate principal amount of \$25,805,000, leaving \$8,520,000 in unlimited tax bonds authorized but unissued to acquire utility facilities. The issuance of the Bonds will utilize \$186,694.54 of the District's voted authorization of refunding bonds and, following the issuance of the Bonds, \$24,011,987.64 will remain authorized but unissued for refunding purposes. See "FINANCIAL STATEMENT – Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt."

**Municipal Bond Ratings**

and Municipal Bond Insurance ..... S&P Global Ratings, a business unit of Standard & Poor's Financial Services, LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "A1" to the Bonds.

Tax Exemption..... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in "TAX MATTERS" herein, including the alternative minimum tax on corporations.

**Qualified Tax-Exempt**

Obligations..... The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2020 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

General Counsel..... Armbrust & Brown, PLLC, Austin, Texas.

Bond Counsel..... McCall, Parkhurst & Horton L.L.P., Austin, Texas.

Financial Advisor..... Public Finance Group LLC, Austin, Texas.

Verification Agent..... Public Finance Partners, LLC, Minneapolis, Minnesota.

**Paying Agent/Registrar**

and Escrow Agent ..... UMB Bank, N.A., Austin, Texas

**INVESTMENT CONSIDERATION**

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

**SELECTED FINANCIAL INFORMATION**  
**(Unaudited)**

2019 Certified Assessed Valuation	\$ 490,308,292 <sup>(a)</sup>
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 10,065,000 <sup>(b)</sup>
Ratio of Gross Debt to 2019 Certified Assessed Valuation	2.05%
2019 Tax Rate	
Debt Service	\$ 0.2875
Fire Fighting	0.1369
Maintenance	<u>0.3841</u>
<b>Total 2019 Tax Rate</b>	<b>\$ 0.8085 <sup>(c)</sup></b>
Debt Service Fund Balance (as of October 23, 2019)	\$ 540,996 <sup>(d)</sup>
Percentage of current tax collections (Tax Year 2018)	99.50% <sup>(e)</sup>
Percentage of total tax collections (Tax Years 2010-2018)	99.87% <sup>(e)</sup>
Average Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Average Requirement") (2020-2027, inclusive)	\$ 1,436,521
Tax Rate Required to pay Average Requirement based upon the 2019 Certified Assessed Valuation at 95% collections	\$0.31 /\$100 AV
Maximum Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Maximum Requirement") (2020)	\$ 1,502,843
Tax Rate Required to pay Maximum Requirement based upon the 2019 Certified Assessed Valuation at 95% collections	\$0.33 /\$100 AV
Number of Connections as of September 1, 2019	
Single Family - occupied	2,158
Single Family - vacant lots	10
Commercial	2
School	2
District Connections	8
Irrigation Connections	<u>25</u>
<b>Total Number of Active Connections</b>	<b>2,205</b>
Estimated Population as of September 1, 2019	7,553 <sup>(f)</sup>

(a) Assessed valuation of the District as of January 1, 2019 as certified by the Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."

(b) Includes the Bonds, excludes the Refunded Bonds.

(c) The District adopted the 2019 tax rate at its meeting in September 2019.

(d) Unaudited as of October 23, 2019. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.

(e) See "TAX DATA – Tax Collections."

(f) Based upon 3.5 residents per occupied single family home.

**OFFICIAL STATEMENT**  
**relating to**  
**\$3,310,000**  
**Block House Municipal Utility District**  
**(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**

**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Block House Municipal Utility District (the “District”), a political subdivision of the State of Texas (the “State”), of its \$3,310,000 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the “Board”) on September 25, 2019, a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the “Bond Order”), Article XVI, Section 59 of the Constitution and general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District’s Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, West Lake Hills, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (“EMMA”) system. See “CONTINUING DISCLOSURE” herein for a description of the District’s undertaking to provide certain information on a continuing basis.

**PLAN OF FINANCING**

**Purpose**

The Bonds are being issued to achieve a debt service savings in the years 2024 through 2027, inclusive, by currently refunding approximately \$3,520,000 of the District’s Unlimited Tax Refunding Bonds, Series 2014 (the “Refunded Bonds”). Proceeds of the Bonds will also be used to pay the costs of issuing the Bonds. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – *Impact on District Tax Rates*” and “DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3.”

**The Refunded Bonds**

The principal amounts and maturity dates of the Refunded Bonds are set forth below.

<b>Year</b>	<b>Series 2014</b>
2024	\$ 410,000
2025	430,000
2026	1,165,000
2027	1,515,000
	<u><b>\$ 3,520,000</b></u>
Redemption Date: 4/1/2020	

## The Remaining Outstanding Bonds

The following bonds will remain outstanding after issuance of the Bonds (collectively, the “Remaining Outstanding Bonds”):

Year	Series 2012	Series 2014	Series 2016	The Bonds	Total
2020	\$ 370,000	\$ 365,000	\$ 435,000	\$ -	\$ 1,170,000
2021	-	380,000	775,000	-	1,155,000
2022	-	395,000	795,000	-	1,190,000
2023	-	395,000	840,000	-	1,235,000
2024	-	-	865,000	355,000	1,220,000
2025	-	-	895,000	380,000	1,275,000
2026	-	-	245,000	1,110,000	1,355,000
2027	-	-	-	1,465,000	1,465,000
	<u>\$ 370,000</u>	<u>\$1,535,000</u>	<u>\$ 4,850,000</u>	<u>\$3,310,000</u>	<u>\$10,065,000</u>

## Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Bonds, as applicable, from cash and direct obligations of the United States of America and/or open market securities (the “Escrowed Securities”) to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the District and UMB Bank, N.A., Austin, Texas (the “Escrow Agent”). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter the District will deposit with the Escrow Agent cash and direct obligations of the United States in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date.

In connection with the issuance of the Bonds, the District will give irrevocable instructions to provide notice to the owners of the Refunded Bonds that the Refunded Bonds will be redeemed prior to their stated maturities on the redemption date, on which date money will be made available to redeem the Refunded Bonds from money held under the Escrow Agreement.

By the deposit of direct obligations of the United States, if any, and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the Bond Order authorizing the issuance of such Refunded Bonds and in accordance with State law and in reliance upon the Verification Report described herein. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Public Finance Partners LLC (the “Verification Report”), the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement, and the District will have no further responsibility with respect to amounts available for the payment of such defeased bonds, including any insufficiencies.

## Sources and Uses of Funds

The proceeds from the sale of the Bonds will be applied approximately as follows:

### Sources of Funds:

Par Amount of Bonds	\$3,310,000.00
Original Issue Premium	<u>433,905.60</u>
Total Sources of Funds	\$3,743,905.60

### Uses of Funds:

Escrow Deposit	\$3,567,567.03
Costs of Issuance (includes municipal bond insurance premium)	138,710.73
Underwriter’s Discount	37,211.06
Deposit to Debt Service Fund (Rounding Amount)	<u>416.78</u>
Total Uses of Funds	\$3,743,905.60

## THE BONDS

### General Description

The Bonds will bear interest from January 7, 2020 and will mature on April 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on April 1, 2020 and each October 1 and April 1 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

### Redemption

The Bonds are not subject to redemption prior to their stated maturity.

### DTC Redemption Provision

The Paying Agent and the District, so long as a Book-Entry-Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent. Neither the District nor the Paying Agent will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

### Termination of Book-Entry-Only System

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

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

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

**Limitation on Transfer of Bonds** . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15<sup>th</sup>) calendar day of the month (whether or not a business day) preceding each interest payment date (the “Record Date”) and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five

(45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

## **Replacement Bonds**

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

## **Authority for Issuance**

At an election held within the District on April 4, 1981, the voters within the District authorized a total of \$17,325,000 in unlimited tax bonds for water, wastewater and drainage facilities. Additionally, at an election held in the District on January 24, 1998, the voters within the District authorized a total of \$17,000,000 in unlimited tax bonds for water, wastewater, and drainage facilities and refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters will be issued. Therefore, as a result of such elections, the District was authorized to issue a total of \$34,325,000 in unlimited tax bonds to acquire utility facilities and \$25,500,000 in refunding bonds. To date, the District has issued eight installments of unlimited tax bonds to acquire utility facilities in the aggregate principal amount of \$25,805,000, leaving \$8,520,000 in unlimited tax bonds authorized but unissued to acquire utility facilities. The issuance of the Bonds will utilize \$186,694.54 of the District's voted authorization of refunding bonds and, following the issuance of the Bonds, \$24,011,987.64 will remain authorized but unissued for refunding purposes.

The Bonds are issued pursuant to the terms and provisions of the Bond Order; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

## **Source of and Security for Payment**

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

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

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

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

## **Payment Record**

The District has previously issued eight series of new money bonds and eight series of refunding bonds, consisting of: \$2,160,000 Unlimited Tax Bonds, Series 1986; \$1,000,000 Unlimited Tax Bonds, Series 1988; \$2,520,000 Unlimited Tax Refunding Bonds, Series 1994; \$2,365,000 Unlimited Tax Bonds, Series 1995; \$700,000 Unlimited Tax Bonds, Series 1996; \$3,825,000 Unlimited Tax Bonds, Series 1999; \$5,970,000 Unlimited Tax Bonds, Series 2001; \$4,050,000 Unlimited Tax Bonds, Series 2002; \$3,424,343 Unlimited Tax Refunding Bonds, Series 2003; \$5,735,000 Unlimited Tax Bonds, Series 2003A; \$3,499,775 Unlimited Tax Refunding Bonds, Series 2005; \$5,930,000 Unlimited Tax Refunding Bonds, Series 2007; \$9,135,000 Unlimited Tax Refunding Bonds, Series 2010; \$2,640,000 Unlimited Tax Refunding Bonds, Series 2012; \$5,840,000 Unlimited Tax Refunding Bonds, Series 2014; and \$5,800,000 Unlimited Tax Refunding Bonds, Series 2016 (collectively, the "Previously Issued Bonds"). The District has not defaulted in the payment of the principal of or interest on the Previously Issued Bonds.

## **Flow of Funds**

The Bond Order creates, or affirms creation, establishment and maintenance by the District of a Debt Service Fund and Escrow Fund for the Bonds.

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

The Refunded Bonds and the interest due thereon will be paid on the redemption date from funds on deposit with the Escrow Agent and held in a separate Escrow Fund. See "PLAN OF FINANCING – The Refunded Bonds."

## **Defeasance of Outstanding Bonds**

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

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

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

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

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

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

**Retention of Rights** . . . To the extent that, upon the defeasance of any Defeased Bond to be paid at its maturity, the District retains the right under Texas law to later call the Defeased Bond for redemption in accordance with the provisions of the order authorizing the issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon satisfaction of the provisions

set forth above regarding such Defeased Bond as though it was being defeased at the time of the exercise of the option to redeem the Defeased Bond and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Bond.

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

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

### **Paying Agent/Registrar**

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

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

### **Record Date**

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

### **Issuance of Additional Debt**

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), if applicable, and, in the case of bonds payable from taxes, the District's voters. At an election held within the District on April 4, 1981, the voters within the District authorized a total of \$17,325,000 in unlimited tax bonds for water, wastewater and drainage facilities. Additionally, at an election held in the District on January 24, 1998, the voters within the District authorized a total of \$17,000,000 in unlimited tax bonds for water, wastewater, and drainage facilities and refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters will be issued. Therefore, as a result of such elections, the District was authorized to issue a total of \$34,325,000 in unlimited tax bonds to acquire utility facilities and \$25,500,000 in refunding bonds. To date, the District has issued eight installments of unlimited tax bonds to acquire utility facilities in the aggregate principal amount of \$25,805,000, leaving \$8,520,000 in unlimited tax bonds authorized but unissued to acquire utility facilities.

The issuance of the Bonds uses \$186,694.54 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$1,488,012.36 of the District's voted authorization for refunding purposes, and will have \$24,011,987.64 of voted refunding authorization remaining unissued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS."

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities and for the construction of roads. The District has not called an election to authorize bonds for such purposes but may consider doing so in the future. The District is also authorized to establish, operate and maintain a fire department or contract with a fire department for fire protection services. See "The District - General." The District is also authorized to issue certain revenue notes and bonds without voter approval. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness that may be issued by the District. Any additional ad valorem tax indebtedness issued by the District may dilute the security of the Bonds. See "INVESTMENT CONSIDERATIONS."

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and



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

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

## **No Arbitrage**

The District will, at the time of closing, certify that based upon all facts or estimates now known or reasonably expected to be in existence on the date the Bonds are delivered, 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 are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants that it shall make such use of the proceeds of the Bonds, regulate investment of the 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.

## **Specific Tax Covenants**

In the Bond Order the District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the "Code"), so that such covenant is ineffective or inapplicable or compliance with such covenant adversely affects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

## **Additional Covenants**

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

## **Remedies in Event of Default**

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

evaluated based on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

## **Consolidation**

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

## **Annexation**

The District is located entirely within the extraterritorial jurisdiction of the City. The Texas Legislature enacted significant changes to annexation policy by passing the Annexation Laws. Pursuant to changes in general law made by these bills, the City may annex the District only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the creation. Changes implemented by the Annexation Laws could interfere with future efforts of the City to annex land within the District. See "THE BONDS—Source and Security for Payment."

## **Alteration of Boundaries**

In certain circumstances under State law, the District may alter its boundaries to, upon satisfying certain conditions to deannex and then annex additional territory. No representation is made concerning the likelihood that the District would effect any further change in its boundaries.

## **Approval of the Bonds**

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

## **Amendments to the Bond Order**

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of and interest on the Bonds, or (ii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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

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

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

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

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

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

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

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

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

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

representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

## **INVESTMENT CONSIDERATIONS**

### **General**

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Williamson County, Texas; the City; or any other political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See "THE BONDS - Source of and Security for Payment". The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

### **Factors Affecting Taxable Values and Tax Payments**

*Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences. The market value of such homes is related to general economic conditions affecting the demand for and taxable value of residences. Demand for residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers.

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing 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 2019 Certified Assessed Valuation of the District is \$490,308,292. After issuance of the Bonds, the Maximum Requirement will be \$1,502,843 (2020) and the Average Requirement will be \$1,436,521 (2020 through 2027, inclusive). Assuming (1) no increase or decrease from the 2019 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.33 and \$0.31 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively.. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

### **Remaining Undeveloped Property**

There is no commitment from, or obligation of, the Landowner (as defined herein) to develop the remaining undeveloped land, and there is no restriction on the Landowner's right to sell its land. Failure to construct taxable improvements on developed land and failure of the Landowner to develop its land may restrict the rate of growth of taxable value in the District. The District is also dependent upon the Landowner and the other principal taxpayers, and the taxpayers generally, for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Landowner (or other taxpayer) will be or what effect, if any, such financial conditions may have on the Landowner's (or other taxpayers') ability to pay taxes. See "THE DISTRICT – Historical and Current Status of Development" and "TAX DATA - Principal Taxpayers."

### **Tax Collections and Foreclosure Remedies**

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

enforceability of the Bonds may also be limited by bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

### **Registered Owners' Remedies**

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

### **Bankruptcy Limitation to Registered Owners' Rights**

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

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

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

### **Marketability**

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

### **Continuing Compliance with Certain Covenants**

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

### **Forward-Looking Statements**

The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements including statements regarding the District's expectations, hopes, intentions, or strategies regarding the future.

Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

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

## **Bond Insurance Risks**

The District has qualified for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds, and intends to use a portion of the proceeds of the Bonds to purchase the bond insurance. The risk factors relating to the purchase of bond insurance are listed below.

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

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer's consent may be required in connection with amendments to the Bond Order.

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its ability to pay claims which is predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

## **Future Debt**

The District has reserved the right in the Bond Order to issue the remaining \$8,520,000 authorized but unissued unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District for water, wastewater and drainage facilities. All of the remaining \$8,520,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. See "THE SYSTEM."

The District has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$25,500,000. The issuance of the Bonds uses \$186,694.54 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$1,488,012.36 of the District's voted authorization for refunding purposes, and will have \$24,011,987.64 of refunding voted authorization remaining unissued.

## **Future and Proposed Legislation**

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

## **Drought Conditions**

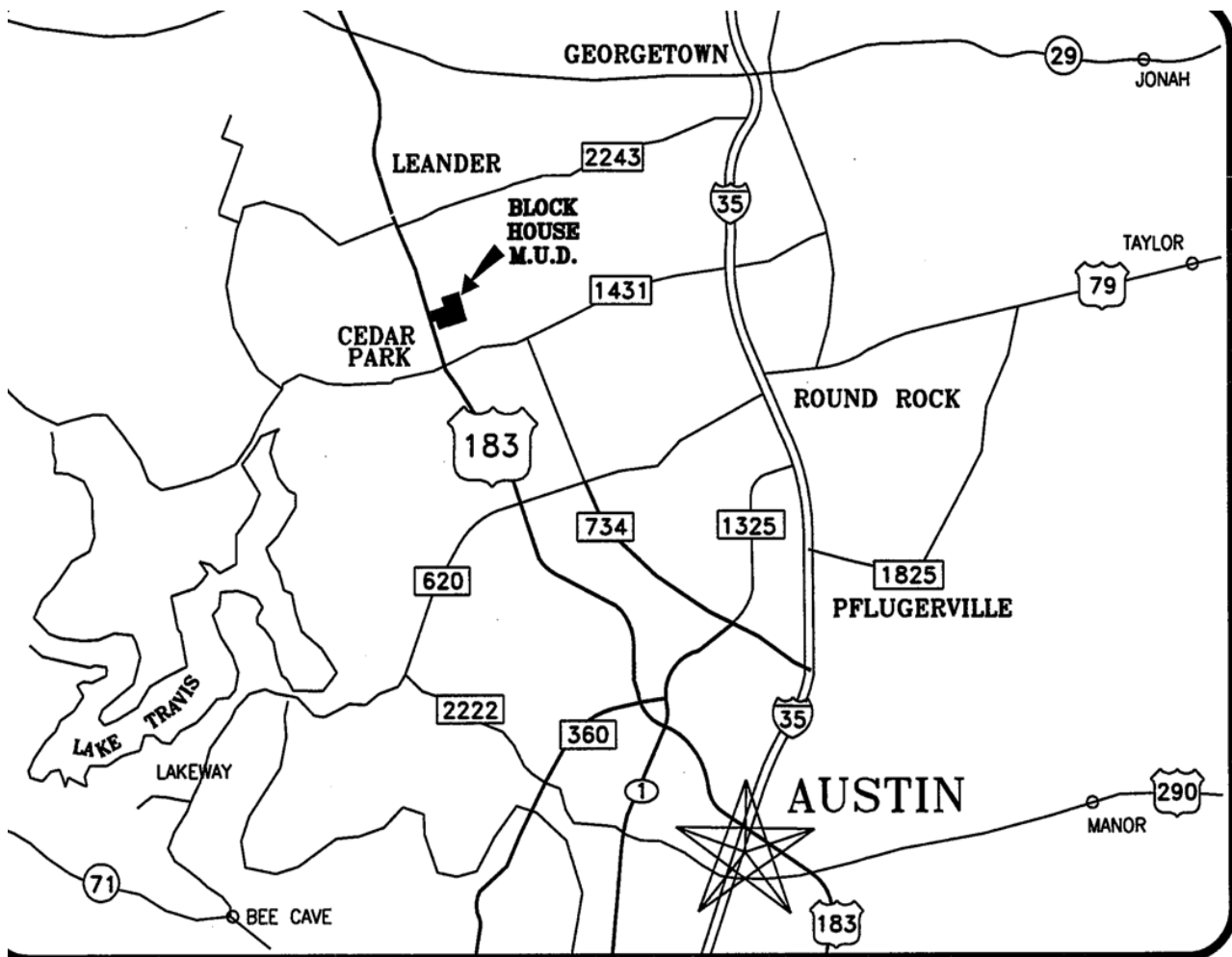
Central Texas, like other areas of the State, is experiencing drought conditions. The District has adopted a water conservation plan and has implemented water use restrictions applicable to the residents of and commercial customers in the District. The City of Cedar Park, Texas provides water to the District in amounts sufficient to service the residents and other customers of the District; however, as drought conditions continue water usage, rates and water revenues could be impacted.

## **Storm Water**

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). The study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities in the Central Texas area are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See "THE SYSTEM – 100-Year Flood Plain."

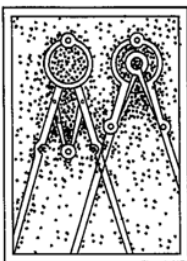
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LOCATION MAP



LOCATION MAP

N.T.S.



**GRAY & JANSING & ASSOCIATES, INC.**

Consulting Engineers

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Austin, Texas 78757-7592

(512)452-0371

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TBPE FIRM #2946



## THE DISTRICT

### General

The District is a political subdivision of the State of Texas, created by an order of the Texas Water Commission, predecessor to the Commission, on January 12, 1978 and confirmed at an election held within the District on April 4, 1981, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage to the approximately 717 acres within its boundaries, all of which lies within Williamson County, Texas.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste collection and disposal service and park and recreation facilities and is empowered to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, or contract with a fire protection provider for fire protection services, if approved by the voters of the District and the Commission. The District provides for waste collection and disposal services through a contract with a private waste disposal company.

In 2007, the District implemented a plan for the provision of fire-fighting services within the District, as authorized by Section 49.351 of the Texas Water Code and an election held within the District on May 12, 2007. Pursuant to this plan, the District has entered into a fire protection services agreement with the City under which the District's residents pay a service rate which varies depending upon the City's fire protection expenditures and City's fire department's service area population. The fire protection service rate for the 2019-2020 fiscal year is \$25.59 per District water and wastewater customer per month. The District may make the payments under the fire protection services agreement through: (i) the levy of a contract tax levied on all taxable property within the District; (ii) a monthly fee; (iii) any of the funds lawfully available to the District, or a combination of (i), (ii), and (iii). The District entered into a new fire protection services agreement with the City, effective as of April 1, 2019, containing substantially similar terms to the previous agreement, whereby the City has agreed to continue providing fire-fighting services in the District until September 30, 2023. If an emergency services district which includes the District is created, the fire protection services agreement will be terminated on the date such emergency services district begins providing fire protection services.

### Management of the District

*Board of Directors:* The District is governed by a board consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years with elections held within the District on November in each even numbered year. All of the directors listed below reside or own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Cecilia A. Roberts	President	2020	34 Years
Steve Bennett	Vice President	2022	29 Years
Rayan Horak	Secretary	2020	3 Years
Byron Koenig	Treasurer	2022	1 Years
Ursula Logan	Assistant Secretary	2022	7 Years

### Consultants

#### Tax Assessor/Collector

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

#### General Manager

The District contracts with Crossroads Utility Services, LLC ("Crossroads") to serve as operator for the District. Crossroads serves in a similar capacity for 33 other special districts in the Austin metropolitan area.

#### Bookkeeper

Municipal Accounts & Consulting, L.P. ("MAC"), Certified Public Accountants, is charged with the responsibility of providing bookkeeping services for the District. MAC serves in a similar capacity for 25 other special districts in the Austin metropolitan area.

## **Engineer**

The District's consulting engineer is Gray Engineering, Inc. ("Gray" or the "Engineer"). Gray serves as consulting engineer to 11 other special districts in the Central Texas area.

## **Financial Advisor**

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

## **Bond Counsel**

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

## **General Counsel**

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

## **Location**

The District encompasses approximately 717 acres of land in southwestern Williamson County, of which approximately 586 are developable and 555 have been developed with internal waster distribution, wastewater collection and storm drainage facilities. The District is situated approximately 23.5 miles north of the City of Austin's central business district. The entire District lies within the boundaries of the Leander Independent School District and the extraterritorial jurisdiction of the City of Cedar Park, Texas. Access to the District is currently provided by US 183 North to Block House Drive as well as by the U.S. 183A Toll Road extending from US 183 at Ranch Road 620 to US 183 north of Leander.

## **Historical and Current Status of Development**

Development within the District began in 1980 with the development of the initial sections of the Block House Creek Subdivision. From 1980 through 1989 development and the construction of single-family homes continued intermittently. During 1989 and 1990, all of the then-current developer's approximately 365 vacant lots and remaining undeveloped land within the District were foreclosed upon by Texas Commerce Bank – Austin, National Association ("TCBA"). In addition, TCBA foreclosed on approximately 584 acres adjacent to the District and within the City of Cedar Park. Beginning in 1989, TCBA and its subsidiary Lavaca National Properties, Inc. marketed for sale the lots and undeveloped acreage and, in 1995, title to the property owned by TCBA and Lavaca was transferred to TCBA.

On December 20, 1995, TCBA conveyed all its remaining acreage in the District and the adjacent area to Continental Homes of Texas, LP ("Continental"). The total acreage conveyed to Continental was approximately 388 acres, including approximately 350 acres within the District. Continental developed the majority of its 350 acres within the District as residential single-family lots and sold the commercial reserves.

The 31 acres sold by Continental as commercial reserves are owned by Paver Family Enterprises L.P. (the "Landowner"). The District makes no representation that such acreage will ever be developed with commercial improvements. See "INVESTMENT CONSIDERATIONS – Remaining Undeveloped Property."

As of November 1, 2019, development within the District included 2,168 completed single-family homes, no homes under construction and 10 vacant developed single-family lots, a day care center, Block House Elementary School (which is not subject to taxation by the District), 31 acres undeveloped commercial reserves owned by the Landowner, and 38.45 acres of parkland including swimming pools, playgrounds, trails, and sports fields.

## **Future Development**

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect the Landowner's ability to market its land to commercial developers as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS". The District's engineer estimates that the \$8,520,000 authorized bonds which remain unissued should be sufficient to reimburse the Landowner for the utility facilities necessary to provide utility service to the remaining approximately 31 acres of undeveloped but potentially developable acres within the District. To date, the District has not entered into a reimbursement contract with the Landowner. See "THE BONDS - Future Debt." The Landowner is under no obligation to complete any commercial development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur within the District.

## **THE SYSTEM**

### **Regulation**

The water, wastewater and storm drainage facilities, the purchase, acquisition and construction of which have been permanently financed by the District with the proceeds of the bonds previously issued by the District, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the Commission. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have jurisdiction over the District.

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

### **Water Supply and Distribution**

The District currently receives its water from the City of Cedar Park on a wholesale basis pursuant to a Water Supply Contract dated March 10, 1995 which is effective for a period of 40 years (the "Water Supply Contract"). The City of Cedar Park obtains its water supply from Lake Travis. According to the City of Cedar Park's engineer, the City of Cedar Park operates a 23 million gallon per day (mgd) surface water treatment facility west of the City of Cedar Park (the "Cedar Park Water Plant"). Treated water is transported from the Cedar Park Water Plant to the District's distribution system by a series of booster pumps and transmission lines which are owned and operated by Cedar Park. The District is responsible for reading the individual meters and the retail billing of each District customer. The District's engineer believes that, based upon current land use projections and the commitment of service as provided for in the Water Supply Contract, the Cedar Park Water Plant should have sufficient capacity to serve the District at ultimate development.

### **Wastewater Collection and Treatment**

Originally, wastewater treatment within the District was provided by a 200,000 gallon-per-day ("gpd") interim wastewater treatment plant operating under the authority and conditions of Commission Permit No. 11972-01. The first temporary 100,000 gpd phase was constructed in 1980-81 and funded by the Outstanding Bonds. The second temporary 100,000 gpd phase was added in 1985 under the same permit and with the same discharge parameters. This second plant was leased until the District's permanent treatment facilities, as described herein, were completed. The installation and design of the leased plant was also funded by a portion of the Previously Issued Bonds.

The District, in September 2002, entered into a Wholesale Wastewater Service Contract with the City of Cedar Park (the "Wholesale Wastewater Services Contract"), under which the District has purchased capacity in the City of Cedar Park's wastewater system to serve all existing development and will purchase capacity to serve future development and the City of Cedar Park has agreed to provide all wastewater treatment capacity required for the District's ultimate build-out. The Wholesale Wastewater Services Contract has a term of 30 years.

### **Drainage System**

The storm drainage system that serves the District consists of curb and gutter streets and storm sewers that collect storm water runoff for outfall into Block House Creek. The facilities are designed in accordance with Williamson County and City of Cedar Park criteria.

### **100-Year Flood Plain**

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

According to U.S.G.S. topographic maps and Federal Emergency Management Agency Flood Insurance Rate Maps, the District is relatively flat with elevations ranging from 885 to 978 feet above mean sea level. The land within the District slopes generally from west to east. The District lies virtually on the headwaters of Block House Creek and approximately 65 acres of the District lie within the 100-year flood plain. This acreage has been planned as green space and will not be used for development.

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

**Water and Wastewater Operations**

***Rate and Fee Schedule - Table 1***

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District's water and sewer service which have been in effect since January 10, 2019.

Water (Monthly Billing)

Base rate per Single-family or Duplex .....\$52.66

*Water Gallonage Charges:*

0-7,000 gallons.....\$3.88/1,000  
7,001-14,000 gallons.....4.12/1,000  
14,001-20,000 gallons.....4.55/1,000  
Over 20,001 gallons .....5.00/1,000

Wastewater (Monthly Billing)

Rate per 1,000 gallons .....\$4.00/1,000

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## Operating Revenues and Expenses Statement - Table 2

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

	Fiscal Year Ended					
	9/30/19 <sup>(a)</sup>	9/30/18 <sup>(b)</sup>	9/30/17 <sup>(b)</sup>	9/30/16 <sup>(b)</sup>	9/30/15 <sup>(b)</sup>	9/30/14 <sup>(b)</sup>
<b>REVENUES</b>						
Property Taxes, including penalties	\$ 2,307,239	\$ 2,121,539	\$ 1,866,844	\$ 1,693,758	\$ 1,486,745	\$ 1,237,975
Water, WW & Garbage, including penalties	2,166,032	2,263,943	2,266,639	2,274,015	2,241,831	2,278,117
Tap Connection and Inspection Fees	1,920	2,034	3,154	2,171	2,106	3,306
Interest	84,305	47,877	19,951	16,753	15,086	13,472
Swimming Pool and Other	289,222	302,109	285,806	273,859	300,403	324,278
<b>TOTAL REVENUES</b>	<b>\$ 4,848,718</b>	<b>\$ 4,737,502</b>	<b>\$ 4,442,394</b>	<b>\$ 4,260,556</b>	<b>\$ 4,046,171</b>	<b>\$ 3,857,148</b>
<b>EXPENDITURES</b>						
Bulk Water & Wastewater Purchases	\$ 883,690	\$ 935,307	\$ 987,363	\$ 932,307	\$ 862,480	\$ 911,429
Garbage Collection	571,943	504,968	459,781	440,759	421,907	416,105
Park & Pool Expenditures	934,924	1,176,281	877,699	708,156	728,530	733,052
Utilities	57,176	48,359	47,751	47,866	50,126	56,549
Repairs and Maintenance	128,579	130,195	84,721	63,677	79,840	114,037
Operations and Billing	272,613	233,708	229,686	227,976	230,001	229,759
General Manager	142,170	130,200	130,200	130,200	-	-
Legal Fees	165,898	164,861	193,469	193,921	199,509	140,218
Engineering Fees	23,155	24,814	32,223	30,126	32,448	41,613
Bookkeeping Fees	42,045	43,250	43,312	41,004	40,975	36,725
Audit Fees	17,000	16,800	16,650	16,400	15,750	15,500
Financial Advisory Fees	-	2,250	1,750	1,250	-	1,782
Fire Services Fees	622,932	605,173	570,139	530,573	505,353	494,842
Security Services	123,909	129,832	119,580	114,801	112,309	93,711
Tax Appraisal/Collection Fees	28,262	22,887	22,758	23,111	22,433	20,981
Directors Fees & related Payroll Taxes	36,393	38,113	45,049	43,568	42,061	34,448
Insurance	20,776	17,813	18,019	16,455	15,369	8,148
Office Expenditures	34,185	26,713	24,096	29,312	36,216	30,016
Seminars & Travel	6,527	9,560	9,746	9,498	5,298	5,470
Other	69,934	83,579	89,408	83,424	102,114	80,714
Capital Outlay	109,327	57,511	81,310	1,051,958 <sup>(c)</sup>	156,166	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 4,291,438</b>	<b>\$ 4,402,174</b>	<b>\$ 4,084,710</b>	<b>\$ 4,736,342</b>	<b>\$ 3,658,885</b>	<b>\$ 3,465,099</b>
<b>NET REVENUE / (DEFICIT)</b>	<b>\$ 557,280</b>	<b>\$ 335,328</b>	<b>\$ 357,684</b>	<b>\$ (475,786)</b>	<b>\$ 387,286</b>	<b>\$ 392,049</b>
<b>Beginning Fund Balance</b>	<b>\$ 3,860,022</b>	<b>\$ 3,524,694</b>	<b>\$ 3,167,010</b>	<b>\$ 3,642,796</b>	<b>\$ 3,255,510</b>	<b>\$ 2,863,461</b>
Plus / (Less): Fund Transfers	-	-	-	-	-	-
<b>Ending Fund Balance</b>	<b>\$ 4,417,302</b>	<b>\$ 3,860,022</b>	<b>\$ 3,524,694</b>	<b>\$ 3,167,010</b>	<b>\$ 3,642,796</b>	<b>\$ 3,255,510</b>

(a) Unaudited.

(b) Audited.

(c) Significant capital projects were completed during the 2016 fiscal year, which included renovations, water slides and other improvement to the Tumlinson pool.

**DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3**

**Block House Municipal Utility District  
\$3,310,000  
Unlimited Tax Refunding Bonds, Series 2020  
Dated Date: January 7, 2020  
First Interest Payment Due: April 1, 2020**

<b>Year Ending 31-Dec</b>	<b>Current Debt Service Requirement</b>	<b>Less Refunded Debt Service</b>	<b>The Bonds</b>				<b>Principal and Interest</b>	<b>Total Debt Service Requirements</b>
			<b>Principal (Due 4/01)</b>	<b>Interest (Due 4/01)</b>	<b>Interest (Due 10/01)</b>	<b>Total</b>		
2020	\$ 1,466,325	\$ 60,575	\$ -	\$ 30,893	\$ 66,200	\$ 97,093	\$ 97,093	\$ 1,502,843
2021	1,422,500	121,150	-	66,200	66,200	132,400	132,400	1,433,750
2022	1,426,200	121,150	-	66,200	66,200	132,400	132,400	1,437,450
2023	1,434,825	121,150	-	66,200	66,200	132,400	132,400	1,446,075
2024	1,437,175	531,150	355,000	66,200	59,100	125,300	480,300	1,386,325
2025	1,447,100	538,850	380,000	59,100	51,500	110,600	490,600	1,398,850
2026	1,487,088	1,258,800	1,110,000	51,500	29,300	80,800	1,190,800	1,419,088
2027	1,541,513	1,568,025	1,465,000	29,300	-	29,300	1,494,300	1,467,788
	<u><b>\$ 11,662,725</b></u>	<u><b>\$4,320,850</b></u>	<u><b>\$3,310,000</b></u>	<u><b>\$ 435,593</b></u>	<u><b>\$ 404,700</b></u>	<u><b>\$ 840,293</b></u>	<u><b>\$4,150,293</b></u>	<u><b>\$ 11,492,168</b></u>

**FINANCIAL STATEMENT**  
(Unaudited)

**Assessed Value - Table 4**

2019 Certified Assessed Valuation	\$ 490,308,292 <sup>(a)</sup>
Gross Debt Outstanding (after the issuance of the Bonds)	\$ 10,065,000 <sup>(b)</sup>
Ratio of Gross Debt to 2019 Certified Assessed Valuation	2.05%
2019 Tax Rate	
Debt Service	\$ 0.2875
Fire Fighting	0.1369
Maintenance	0.3841
<b>Total 2019 Tax Rate</b>	<b>\$ 0.8085 <sup>(c)</sup></b>
Debt Service Fund Balance (as of October 23, 2019)	\$ 540,996 <sup>(d)</sup>

Area of District: 717 acres  
Estimated Population as of September 1, 2019 – 7,553<sup>(e)</sup>

- (a) Assessed valuation of the District as of January 1, 2019 as certified by the Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."
- (b) Includes the Bonds, excludes the Refunded Bonds.
- (c) The District levied the 2019 total tax rate at its meeting in September 2019.
- (d) Unaudited as of October 23, 2019. Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.
- (e) Based upon 3.5 residents per occupied single family home.

**Unlimited Tax Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Unissued
4/4/1981	Water, Sanitary Sewer & Drainage	\$ 17,325,000.00	\$ 17,325,000.00	\$ -
1/24/1998	Water, Sanitary Sewer & Drainage	17,000,000.00	8,480,000.00	8,520,000.00
1/24/1998	Refunding	25,500,000.00 <sup>(a)</sup>	1,488,012.36 <sup>(a)</sup>	24,011,987.64 <sup>(a)</sup>

- (a) The proposition approved by the voters authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the par amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$25,500,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds, the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization. The district has previously used \$1,301,317.82 of the total amount of refunding bonds authorized. The issuance of the Bonds uses \$186,694.54 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$1,488,012.36 of the District's voted authorization for refunding purposes and will have \$24,011,987.64 of voted refunding authorization remaining unissued.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds <sup>(a)</sup>
<b>A. New Money Bonds</b>				
11/1/1986	Water, Sanitary Sewer & Drainage	1986	\$ 2,160,000	\$ -
10/1/1988	Water, Sanitary Sewer & Drainage	1988	1,000,000	-
7/1/1995	Water, Sanitary Sewer & Drainage	1995	2,365,000	-
7/1/1996	Water, Sanitary Sewer & Drainage	1996	700,000	-
9/1/1999	Water, Sanitary Sewer & Drainage	1999	3,825,000	-
7/1/2001	Water, Sanitary Sewer & Drainage	2001	5,970,000	-
12/1/2002	Water, Sanitary Sewer & Drainage	2002	4,050,000	-
9/1/2003	Water, Sanitary Sewer & Drainage	2003A	5,735,000	-
	<b>Subtotal</b>		<b>\$ 25,805,000</b>	<b>\$ -</b>
<b>B. Refunding Bonds</b>				
7/1/1994	Refunding	1994	\$ 2,520,000	\$ -
2/1/2003	Refunding	2003	3,424,343	-
4/1/2005	Refunding	2005	3,499,775	-
6/1/2007	Refunding	2007	5,930,000	-
10/1/2010	Refunding	2010	9,135,000	-
3/1/2012	Refunding	2012	2,640,000	370,000
5/1/2014	Refunding	2014	5,840,000	1,535,000
1/14/2016	Refunding	2016	5,800,000	4,850,000
1/7/2020	Refunding	2020	3,310,000 <sup>(b)</sup>	3,310,000 <sup>(b)</sup>
	<b>Subtotal</b>		<b>\$ 42,099,118</b>	<b>\$ 10,065,000</b>
	<b>Total</b>		<b>\$ 67,904,118</b>	<b>\$ 10,065,000</b>

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

(b) The Bonds.

Cash and Investment Balances - Table 7 <sup>(a)</sup>

General Fund	\$ 4,316,569
Debt Service Fund	540,996 <sup>(b)</sup>
Capital Projects Fund	56,570

(a) Unaudited as of October 23, 2019.

(b) Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.

#### Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for



which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the District in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the District's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the District appoints as its custodian of the banking deposits, in compliance with the Public Funds Investment Act (Chapter 2256, Government Code), as amended (the "PFIA"), the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for District deposits, or (ii) where (a) the funds are invested by the District through a broker or institution that has a main office or branch office in the State and selected by the District in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the District appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above, clause (12) below, or, if applicable, which are pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the District is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party designated by the District, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

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

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

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, re-visit, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

#### Current Investments - Table 8

The District, as of October 23, 2019, was invested in TexPool and Certificates of Deposit. This investment portfolio is generally representative of the District's investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of October 23, 2019	
Cash	\$ 51,089
TexPool	1,163,046
Certificates of Deposit	3,700,000
Total Investment	\$ 4,914,135

#### Estimated Overlapping Debt Statement

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

*(Chart appears on following page)*

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Williamson County	\$ 801,709,942	11/30/2019	0.690%	\$ 5,531,799
Austin Community College	404,420,000	11/30/2019	0.220%	889,724
Leander Independent School District	1,074,905,442	11/30/2019	2.060%	22,143,052
Upper Brush Creek WC&ID 1A	-	11/30/2019	0.000%	-
<b>TOTAL ESTIMATED OVERLAPPING DEBT</b>				<b>\$ 28,564,575</b>
The District <sup>(a)</sup>	\$ 10,065,000	1/7/2020	100.000%	\$ 10,065,000
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b>\$ 38,629,575</b>
<b>Ratio of Estimated and Overlapping Debt to 2019 Certified Assessed Valuation</b>				<b>7.88%</b>

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

#### Overlapping Taxes for 2019

Overlapping Entity	2019 Tax Rate Per	
	\$100 Assessed Valuation Williamson County	Average Tax Bill <sup>(a)</sup> Williamson County
Williamson County	\$0.458719	\$ 1,029
Austin Community College	0.104900	235
Leander Independent School District	1.437500	3,226
Upper Brush Creek WC&ID 1A	0.020000	45
The District	<u>0.808500</u>	<u>1,814</u>
<b>Total</b>	<b>\$2.829619</b>	<b>\$ 6,350</b>

(a) Based upon the 2019 average taxable single-family home value of \$224,422 as provided by WCAD.

#### TAX DATA

#### Classification of Assessed Valuation - Table 9

Type of Property	2019 <sup>(a)</sup>		2018 <sup>(b)</sup>		2017 <sup>(b)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 500,779,961	102.14%	\$ 485,574,747	103.66%	\$ 458,759,788	102.85%
Commercial	1,943,267	0.40%	1,889,341	0.40%	1,763,688	0.40%
Utilities	300,710	0.06%	1,359,469	0.29%	1,483,517	0.33%
Acreage	4,174,819	0.85%	3,990,700	0.85%	3,881,924	0.87%
Vacant Lot	269,325	0.05%	243,206	0.05%	223,125	0.05%
Tangible Personal, Business	378,403	0.08%	576,660	0.12%	948,727	0.21%
Less: Adjustments	<u>(17,538,193)</u>	<u>-3.58%</u>	<u>(25,196,040)</u>	<u>-5.38%</u>	<u>(21,024,410)</u>	<u>-4.71%</u>
<b>Total</b>	<b>\$ 490,308,292</b>	<b>100.00%</b>	<b>\$ 468,438,083</b>	<b>100.00%</b>	<b>\$ 446,036,359</b>	<b>100.00%</b>

(a) Provided by WCAD.

(b) Assessed Valuation reflects the adjusted value at September 30<sup>th</sup> of each respective year as included in the audited financial statement.

## Tax Collections - Table 10

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

Tax Year	Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2010	\$ 315,995,562	\$0.8460	\$ 2,673,495	\$ 2,666,653	99.74%	\$ 2,672,819	99.97%	9/30/2011 <sup>(b)</sup>
2011	312,464,920	0.8660	2,706,236	2,699,193	99.74%	2,705,638	99.98%	9/30/2012 <sup>(b)</sup>
2012	306,687,431	0.8660	2,656,201	2,645,075	99.58%	2,655,596	99.98%	9/30/2013 <sup>(b)</sup>
2013	317,176,350	0.8660	2,746,225	2,733,377	99.53%	2,745,713	99.98%	9/30/2014 <sup>(b)</sup>
2014	346,885,966	0.8423	2,925,110	2,921,267	99.87%	2,924,594	99.98%	9/30/2015 <sup>(b)</sup>
2015	380,488,219	0.8270	3,146,860	3,138,049	99.72%	3,146,332	99.98%	9/30/2016 <sup>(b)</sup>
2016	411,174,609	0.8010	3,293,699	3,284,806	99.73%	3,283,657	99.70%	9/30/2017 <sup>(b)</sup>
2017	446,036,359	0.8010	3,572,944	3,553,650	99.46%	3,565,178	99.78%	9/30/2018 <sup>(b)</sup>
2018	475,898,878	0.7810	3,707,795	3,689,280	99.50%	3,689,280	99.50%	9/30/2019 <sup>(c)</sup>
2019	490,308,292	0.8085	3,964,143	<i>In Process of Collection</i>				9/30/2020 <sup>(d)</sup>

(a) Assessed Valuation reflects the adjusted value at September 30<sup>th</sup> of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited.

(d) 2019 Taxes are due with no penalty by January 31, 2020.

## District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2019	2018	2017	2016	2015
Debt Service	\$ 0.2875	\$ 0.2950	\$ 0.3238	\$ 0.3465	\$ 0.3820
Fire Fighting	0.1369	0.1315	0.1361	0.1388	0.1393
Maintenance and Operations	0.3841	0.3545	0.3411	0.3157	0.3057
<b>Total</b>	<b>\$ 0.8085</b>	<b>\$ 0.7810</b>	<b>\$ 0.8010</b>	<b>\$ 0.8010</b>	<b>\$ 0.8270</b>

### Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under "District Tax Rates – Table 11," the District levied a 2019 debt service tax rate of \$0.2875/\$100 assessed valuation

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds, and any tax bonds which may be issued in the future. At an election held on April 4, 1981, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates – Table 11," the District levied a 2019 maintenance and operations tax rate of \$0.3841/\$100 assessed valuation.

## Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by WCAD based on the 2019, 2018 and 2017 tax rolls of the District, which reflect the appraised value of taxable property owed as of January 1, of each year shown.

Name	Type of Property	2019 <sup>(a)</sup>	2018 <sup>(b)</sup>	2017 <sup>(b)</sup>
Paver Family Enterprises L.P.	Commercial	\$ 1,943,267	\$ 1,889,341	\$ 1,763,688
Perdernalles Electric Cooperative Inc.	Utility	1,199,500	1,199,500	1,274,100
Individual Homeowner	Land and Improvements	879,748	848,584	1,019,375
Individual Homeowner	Land and Improvements	687,749	680,657	657,420
Individual Homeowner	Land and Improvements	651,431	644,372	621,879
Individual Homeowner	Land and Improvements	484,765	476,189	447,830
Individual Homeowner	Land and Improvements	472,769	462,910	443,739
Individual Homeowner	Land and Improvements	466,518	453,171	440,731
Individual Homeowner	Land and Improvements	460,333	(c)	(c)
Individual Homeowner	Land and Improvements	455,602	(c)	(c)
Individual Homeowner	Land and Improvements	(c)	448,386	(c)
GCC Properties I L.P.	Land and Improvements	(c)	448,808	(c)
Gone Fishing Investments LLC	Land and Improvements	(c)	(c)	470,711
Individual Homeowner	Land and Improvements	(c)	(c)	438,254
<b>Total</b>		<b>\$ 7,701,682</b>	<b>\$ 7,551,918</b>	<b>\$ 7,577,727</b>
<b>Percent of Certified Assessed Valuation</b>		<b>1.57%</b>	<b>1.59%</b>	<b>1.70%</b>

(a) Provided by WCAD.

(b) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

(c) Not a principal taxpayer in respective year.

## Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuations from the 2019 certified assessed valuation and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available Debt Service Funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Remaining Outstanding Bonds (2020 through 2027).....	\$1,436,521
\$0.31 Tax Rate on 2019 Certified Assessed Valuation of \$490,308,292 @ 95% collections produces.....	\$1,443,958
Maximum Requirement on the Remaining Outstanding Bonds (2020).....	\$1,502,843
\$0.33 Tax Rate on 2019 Certified Assessed Valuation of \$490,308,292 @ 95% collections produces.....	\$1,537,116

## Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/20.....	\$1,502,843 <sup>(a)</sup>
Unaudited Debt Service Fund Balance as of 9/25/19.....	\$696,322 <sup>(b)</sup>
2019 Tax Levy @ 95% collections produces.....	<u>\$1,339,155 <sup>(c)</sup></u>
Total Available for Debt Service.....	<u>\$2,035,477</u>

(a) Interest payments on the Bonds commence April 1, 2020.

(b) Unaudited. Represents Debt Service Fund balance after all 2019 debt service requirements have been paid.

(c) The District levied a 2019 debt service tax rate of \$0.2875, collection of which is due with no penalty by January 31, 2020.

## TAXING PROCEDURES

### Authority to Levy Taxes

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

### Property Tax Code and County Wide Appraisal District

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

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

### Property Subject to Taxation by the District

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

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

**Tax Abatement:** The City and Williamson County may designate all or part of the District as a reinvestment zone, and the District, Williamson County, and (after annexation of the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement

over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

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

## **Valuation of Property for Taxation**

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

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) 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 fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. 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 years for agricultural use and taxes for the previous five years for open space land and timberland.

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

## **District and Taxpayer Remedies**

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

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

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. And 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 after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

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

### **Tax Payment Installments**

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

### **Rollback of Operation and Maintenance Tax Rate**

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, subject to certain homestead exemptions. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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

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

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

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



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

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

## **District's Rights In The Event Of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2019". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

## **Effect of FIRREA on Tax Collections**

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

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

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

## **LEGAL MATTERS**

### **Legal Opinions**

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information

describing the Bonds in the Official Statement under the captions "USE OF INFORMATION IN OFFICIAL STATEMENT – Securities Laws," "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "DTC Redemption Provision," "Payment Record" and "Remedies in Event of Default"), "LEGAL MATTERS" (except for the last sentence of the first paragraph hereof and the subcaption "No-Litigation Certificate"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

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

### **No-Litigation Certificate**

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

### **VERIFICATION OF ESCROW SUFFICIENCY**

Public Finance Partners LLC will deliver to the District, on or before the settlement date of the Bonds, its Verification Report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Bonds.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the District. In addition, Public Finance Partners LLC has relied on any information provided to it by the District's retained advisors, consultants or legal counsel.

### **TAX MATTERS**

#### **Opinion**

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

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

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

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no

assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings and court decisions accumulated, all of which are subject to change or modification, retroactively.

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

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

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

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

## State, Local and Foreign Taxes

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

## Information Reporting and Backup Withholding

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

## Future and Proposed Legislation

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

## Qualified Tax-Exempt Obligations for Financial Institutions

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

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

## CONTINUING DISCLOSURE OF INFORMATION

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

## **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A, if such audited financial statements as provided in Appendix A are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

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

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

## **Notice of Certain Events**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of 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 (as defined by the Rule which includes debt, debt-like, and debt related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserve or a trustee.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

## **Availability of Information from MSRB**

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

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

## **Limitations and Amendments**

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

The District may amend its continuing disclosure from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii)

either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or purchaser from lawfully purchasing or selling the Bonds in the offering described herein. 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 reason 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**

Within the last five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with SEC Rule 15c2-12.

### **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as financial advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

### **OFFICIAL STATEMENT**

#### **Preparation**

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

"THE DISTRICT" and "THE SYSTEM" – District Engineer; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Williamson Central Appraisal District; "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM - Water and Wastewater Operations" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" (except "Compliance with Prior Undertakings") - McCall, Parkhurst & Horton L.L.P.

#### **Consultants**

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

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

The Auditor: The District's financial statements for the fiscal year ended September 30, 2018 were prepared by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants. See "Appendix A" for a copy of the District's September 30, 2018 audited financial statements.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Williamson Central Appraisal District, in reliance upon their authority in the field of appraising and tax assessing.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates, and principal taxpayers has been provided by Mr. Larry Gaddes in reliance upon her authority in the field of tax assessing and collecting.

#### **Annual Audits**

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bonds outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are

available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Block House Municipal Utility District, as of the date shown on the first page hereof.

/s/ Cecilia A. Roberts  
President, Board of Directors

/s/ Rayan Horak  
Secretary, Board of Directors



## PHOTOGRAPHS

The following photographs were taken in the District. The homes and commercial establishments shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."















**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS**

The information contained in this appendix has been excerpted from the final audited financial statement of Block House Municipal Utility District for the fiscal year ended September 30, 2018. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**

**WILLIAMSON COUNTY, TEXAS**

**ANNUAL FINANCIAL REPORT**

**SEPTEMBER 30, 2018**

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# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS  
COUNTY OF WILLIAMSON

I, \_\_\_\_\_ of the  
(Name of Duly Authorized District Representative)

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the District's Board of Directors on **January 23, 2019**, its annual audit report for the fiscal year or period ended **September 30, 2018** and that copies of the annual audit report have been filed in the District's office, located at

**100 Congress Avenue, Suite 1300**  
**Austin, Texas 78701**  
(Address of District's Office)

The filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of Texas Water Code Section 49.194.

Date: \_\_\_\_\_.

By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
(Typed Name and Title District Representative)

Sworn to and subscribed to before me this the \_\_\_\_\_ day of \_\_\_\_\_, 2018.

(Seal)

\_\_\_\_\_  
(Signature of Notary)

My Commission Expires On: \_\_\_\_\_, \_\_\_\_\_.  
Notary Public in the State of Texas.

Form TCEQ-0723 (Rev. 07/2012)

# **McCALL GIBSON SWEDLUND BARFOOT PLLC**

*Certified Public Accountants*

13100 Wortham Center Drive  
Suite 235  
Houston, Texas 77065-5610  
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Suite 150W  
Austin, Texas 78759  
(512) 610-2209  
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## **INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Block House Municipal Utility District  
Williamson County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of Block House Municipal Utility District (the "District"), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

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



Board of Directors  
Block House Municipal  
Utility District

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* and other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. This information, excluding that portion marked "Unaudited" on which we express no opinion or provide any assurance, 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

January 23, 2019

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Management's discussion and analysis of Block House Municipal Utility District's (the "District") financial performance provides an overview of the District's financial activities for the fiscal year ended September 30, 2018. Please read it in conjunction with the District's financial statements.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities and deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenditures are included regardless of when cash is received or paid.

**FUND FINANCIAL STATEMENTS**

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting debt service taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FUND FINANCIAL STATEMENTS (Continued)**

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explains the differences between the two presentations and assists in understanding the differences between these two perspectives.

**NOTES TO THE FINANCIAL STATEMENTS**

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

**OTHER INFORMATION**

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI"). A budgetary comparison schedule is included as RSI for the General Fund.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities by \$8,057,316 as of September 30, 2018. This compares with assets and deferred outflows of resources exceeding liabilities by \$7,306,185 in the prior fiscal year.

A portion of the District's net position reflects its net investment in capital assets (e.g. water, wastewater, drainage and recreational facilities, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water, wastewater, drainage and recreational services within the District.

The following is a comparative analysis of the Statement of Net Position as of September 30, 2018, and September 30, 2017:

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)**

	Summary of Changes in the Statement of Net Position		
	2018	2017	Change Positive (Negative)
Current and Other Assets	\$ 5,401,947	\$ 5,046,739	\$ 355,208
Capital Assets (Net of Accumulated Depreciation)	15,012,426	15,728,492	(716,066)
Total Assets	\$ 20,414,373	\$ 20,775,231	\$ (360,858)
Deferred Outflows of Resources	\$ 232,804	\$ 261,892	(29,088)
Long -Term Liabilities	\$ 11,792,460	\$ 12,958,718	\$ 1,166,258
Other Liabilities	797,401	772,220	(25,181)
Total Liabilities	\$ 12,589,861	\$ 13,730,938	\$ 1,141,077
Net Position:			
Net Investment in Capital Assets	\$ 3,520,861	\$ 3,105,389	\$ 415,472
Restricted	573,291	566,509	6,782
Unrestricted	3,963,164	3,634,287	328,877
Total Net Position	\$ 8,057,316	\$ 7,306,185	\$ 751,131

The District net position increased by \$751,131, accounting for a 10.3% increase in net position. The following table provides a comparative analysis of the District's operations for the years ending September 30, 2018, and September 30, 2017:

	Summary of Changes in the Statement of Activities		
	2018	2017	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 3,572,751	\$ 3,293,393	\$ 279,358
Charges for Services	2,533,422	2,528,286	5,136
Other Revenues	105,158	59,061	46,097
Total Revenues	\$ 6,211,331	\$ 5,880,740	\$ 330,591
Expenses for Services	5,460,200	5,202,448	(257,752)
Change in Net Position	\$ 751,131	\$ 678,292	\$ 72,839
Net Position, Beginning of Year	7,306,185	6,627,893	678,292
Net Position, End of Year	\$ 8,057,316	\$ 7,306,185	\$ 751,131

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS**

The District's combined fund balances as of September 30, 2018, were \$4,658,587, an increase of \$319,471 from the prior year.

The General Fund fund balance increased by \$335,328, primarily due to property tax and service revenues exceeding operating and capital costs.

The Debt Service Fund fund balance decreased by \$10,225, primarily due to the structure of the District's long-term debt.

The Capital Projects Fund fund balance decreased by \$5,632, primarily due to expenditures from proceeds of bonds issued in previous years.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The Board of Directors did not amend the budget during the current fiscal year. Actual excess revenues over expenditures were \$306,460 more than budgeted.

**CAPITAL ASSETS**

The District's capital assets as of September 30, 2018, amount to \$15,012,426 (net of accumulated depreciation). These capital assets include land, as well as the water, wastewater and drainage systems and recreational facilities. Significant capital projects completed during the current fiscal year included a security and surveillance system, installation of new pump and replastering of the pool.

Capital Assets At Year-End, Net of Accumulated Depreciation			
	2018	2017	Change Positive (Negative)
Capital Assets Not Being Depreciated:			
Land and Land Improvements	\$ 306,291	\$ 306,291	\$
Capital Assets, Net of Accumulated Depreciation:			
Common Recreational Areas	1,424,756	1,636,592	(211,836)
Water, Wastewater and Drainage System	10,990,149	11,353,578	(363,429)
Capital Recovery Fees	2,291,230	2,432,031	(140,801)
Total Net Capital Assets	<u>\$ 15,012,426</u>	<u>\$ 15,728,492</u>	<u>\$ (716,066)</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**LONG-TERM DEBT ACTIVITY**

As of September 30, 2018, the District had total bond debt payable of \$11,395,000. The changes in the debt position of the District during the fiscal year ended September 30, 2018, are summarized as follows:

Bond Debt Payable, October 1, 2017	\$ 12,500,000
Less: Bond Principal Paid	<u>1,105,000</u>
Bond Debt Payable, September 30, 2018	<u><u>\$ 11,395,000</u></u>

The District's bonds have an underlying rating of "A1". The Series 2012 Refunding bonds have an insured rating of "A2" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation. The Series 2014 Refunding bonds and Series 2016 Refunding bonds have an insured rating of "AA" by virtue of bond insurance issued by Build America Mutual Assurance Company. The ratings above include all rating changes of bond insurers through September 30, 2018.

The ratio of the District's long-term debt to the total taxable assessed valuation (\$446,036,359) is 2.55%. The District's estimated population, as provided by the District's operator, as of December 1, 2017, is 6,477.

**CONTACTING THE DISTRICT'S MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Block House Municipal Utility District, c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, TX 78701.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>ASSETS</b>		
Cash	\$ 233,224	\$
Investments	3,810,211	558,954
Cash with Paying Agent		169,700
Receivables:		
Property Taxes	15,978	12,517
Service Accounts (Net of Allowance for Uncollectible Accounts of \$2,500)	408,086	
Accrued Interest	21,503	2,923
Other	8,000	
Due from Other Funds	1,910	807
Prepaid Costs	5,596	
Land		
Capital Assets (Net of Accumulated Depreciation)		
<b>TOTAL ASSETS</b>	<u>\$ 4,504,508</u>	<u>\$ 744,901</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Refunding Bonds	<u>\$ -0-</u>	<u>\$ -0-</u>
 <b>TOTAL ASSETS AND DEFERRED OUTFLOWS     OF RESOURCES</b>	 <u><u>\$ 4,504,508</u></u>	 <u><u>\$ 744,901</u></u>

The accompanying notes to the financial  
statements are an integral part of this report.

<u>Capital Projects Fund</u>	<u>Total</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
\$	\$ 233,224	\$	\$ 233,224
68,091	4,437,256		4,437,256
	169,700		169,700
	28,495		28,495
	408,086		408,086
	24,426		24,426
	8,000		8,000
	2,717	(2,717)	
	5,596	87,164	92,760
		306,291	306,291
		<u>14,706,135</u>	<u>14,706,135</u>
<u>\$ 68,091</u>	<u>\$ 5,317,500</u>	<u>\$ 15,096,873</u>	<u>\$ 20,414,373</u>
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 232,804</u>	<u>\$ 232,804</u>
<u>\$ 68,091</u>	<u>\$ 5,317,500</u>	<u>\$ 15,329,677</u>	<u>\$ 20,647,177</u>

The accompanying notes to the financial  
statements are an integral part of this report.



**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Debt Service Fund</u>
<b>LIABILITIES</b>		
Accounts Payable	\$ 273,598	\$
Accrued Interest Payable		
Due to Other Funds	807	1,910
Security Deposits	354,103	
Long-Term Liabilities:		
Bonds Payable, Due Within One Year		
Bonds Payable, Due After One Year		
<b>TOTAL LIABILITIES</b>	<u>\$ 628,508</u>	<u>\$ 1,910</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Property Taxes	<u>\$ 15,978</u>	<u>\$ 12,517</u>
<b>FUND BALANCES</b>		
Nonspendable:		
Prepaid Costs	\$ 5,596	\$
Restricted for Authorized Construction		
Restricted for Debt Service		730,474
Unassigned	<u>3,854,426</u>	
<b>TOTAL FUND BALANCES</b>	<u>\$ 3,860,022</u>	<u>\$ 730,474</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 4,504,508</u></u>	<u><u>\$ 744,901</u></u>
<b>NET POSITION</b>		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
<b>TOTAL NET POSITION</b>		

The accompanying notes to the financial  
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$	\$ 273,598	\$	\$ 273,598
		169,700	169,700
	2,717	(2,717)	
	354,103		354,103
		1,120,000	1,120,000
		10,672,460	10,672,460
<u>\$ -0-</u>	<u>\$ 630,418</u>	<u>\$ 11,959,443</u>	<u>\$ 12,589,861</u>
<u>\$ -0-</u>	<u>\$ 28,495</u>	<u>\$ (28,495)</u>	<u>\$ -0-</u>
\$	\$ 5,596	\$ (5,596)	\$
68,091	68,091	(68,091)	
	730,474	(730,474)	
	3,854,426	(3,854,426)	
<u>\$ 68,091</u>	<u>\$ 4,658,587</u>	<u>\$ (4,658,587)</u>	<u>\$ - 0 -</u>
<u>\$ 68,091</u>	<u>\$ 5,317,500</u>		
		\$ 3,520,861	\$ 3,520,861
		573,291	573,291
		3,963,164	3,963,164
		<u>\$ 8,057,316</u>	<u>\$ 8,057,316</u>

The accompanying notes to the financial statements are an integral part of this report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2018**

Total Fund Balances - Governmental Funds	\$	4,658,587
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Interest paid in advance as part of a refunding bond sale is recorded as a deferred outflow in the governmental activities and systematically charged to interest expense over the remaining life of the new debt or the old debt, whichever is shorter.		232,804
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Prepaid bond insurance costs are amortized over the term of the debt in governmental activities.		87,164
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Land, construction in progress and capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		15,012,426
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Deferred inflows of resources related to property tax revenues on delinquent taxes for the 2017 and prior tax levies became part of recognized revenue in the governmental activities of the District.		28,495
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Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of:

Accrued Interest Payable	\$ (169,700)	
Bonds Payable	<u>(11,792,460)</u>	<u>(11,962,160)</u>
Total Net Position - Governmental Activities		<u>\$ 8,057,316</u>

The accompanying notes to the financial  
statements are an integral part of this report.

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	General Fund	Debt Service Fund
<b>REVENUES</b>		
Property Taxes	\$ 2,121,539	\$ 1,440,034
Water Service	738,588	
Wastewater Service	419,093	
Park Fee	263,263	
Basic Services	1,041,895	
Penalty and Interest	64,367	4,182
Tap Connection and Inspection Fees	2,034	
Investment Revenues	47,877	17,311
Miscellaneous Revenues	38,846	
<b>TOTAL REVENUES</b>	<u>\$ 4,737,502</u>	<u>\$ 1,461,527</u>
<b>EXPENDITURES/EXPENSES</b>		
Service Operations:		
Professional Fees	\$ 208,725	\$
Contracted Services	1,670,018	1,800
Purchased Water Service	632,795	
Purchased Wastewater Service	302,512	
Utilities	48,359	
Park/Pool	1,176,281	
Repairs and Maintenance	130,195	
Depreciation		
Other	175,778	2
Capital Outlay	57,511	
Debt Service:		
Bond Principal		1,105,000
Bond Interest		364,950
<b>TOTAL EXPENDITURES/EXPENSES</b>	<u>\$ 4,402,174</u>	<u>\$ 1,471,752</u>
<b>NET CHANGE IN FUND BALANCES</b>	\$ 335,328	\$ (10,225)
<b>CHANGE IN NET POSITION</b>		
<b>FUND BALANCES/NET POSITION -</b>		
<b>OCTOBER 1, 2017</b>	<u>3,524,694</u>	<u>740,699</u>
<b>FUND BALANCES/NET POSITION -</b>		
<b>SEPTEMBER 30, 2018</b>	<u>\$ 3,860,022</u>	<u>\$ 730,474</u>

The accompanying notes to the financial  
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 3,561,573	\$ 11,178	\$ 3,572,751
	738,588		738,588
	419,093		419,093
	263,263		263,263
	1,041,895		1,041,895
	68,549		68,549
	2,034		2,034
1,124	66,312		66,312
	38,846		38,846
<u>\$ 1,124</u>	<u>\$ 6,200,153</u>	<u>\$ 11,178</u>	<u>\$ 6,211,331</u>
\$	\$ 208,725	\$	\$ 208,725
750	1,672,568		1,672,568
	632,795		632,795
	302,512		302,512
	48,359		48,359
	1,176,281		1,176,281
6,006	136,201		136,201
		773,577	773,577
	175,780		175,780
	57,511	(57,511)	
	1,105,000	(1,105,000)	
	364,950	(31,548)	333,402
<u>\$ 6,756</u>	<u>\$ 5,880,682</u>	<u>\$ (420,482)</u>	<u>\$ 5,460,200</u>
\$ (5,632)	\$ 319,471	\$ (319,471)	\$
		751,131	751,131
<u>73,723</u>	<u>4,339,116</u>	<u>2,967,069</u>	<u>7,306,185</u>
<u>\$ 68,091</u>	<u>\$ 4,658,587</u>	<u>\$ 3,398,729</u>	<u>\$ 8,057,316</u>

The accompanying notes to the financial statements are an integral part of this report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Net Change in Fund Balances - Governmental Funds	\$	319,471
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Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied.		11,178
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Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities.		(773,577)
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Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.		57,511
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Governmental funds report bond principal payments as expenditures. However, in the Statement of Net Position, bond principal payments are reported as decreases in long-term liabilities.		1,105,000
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Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end.		31,548
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Change in Net Position - Governmental Activities	\$	751,131
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The accompanying notes to the financial  
statements are an integral part of this report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1. CREATION OF DISTRICT**

Block House Municipal Utility District, located in Williamson County, Texas (the “District”) was created effective January 12, 1978 by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the “Commission”). Pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, the District is empowered to purchase, operate and maintain all facilities, plants and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, solid waste collection and disposal, including recycling, and to construct parks and recreational facilities for the residents of the District. The District is also empowered to contract for or employ its own peace officers with powers to make arrests and to establish, operate and maintain a fire department to perform all fire-fighting activities within the District. The Board of Directors held its first meeting on October 9, 1979, and the first bonds were issued on November 13, 1986.

**NOTE 2. SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local 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 statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).



**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Financial Statement Presentation (Continued)

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

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Debt Service Fund - To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting debt service taxes.

Capital Projects Fund - To account for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days of year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis. As of September 30, 2018, the Debt Service Fund owes the General Fund \$1,910 for a maintenance tax collections and the General Fund owes the Debt Service Fund \$807 for an excess reimbursement of bond issuance costs

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Interest costs, including developer interest, engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	<u>Years</u>
Common and Recreational Areas	5-50
Water System	10-45
Wastewater System	10-45
Drainage System	10-40
All Other Equipment	3-20

Budgeting

In compliance with governmental accounting principles, the Board of Directors annually adopts an unappropriated budget for the General Fund. The budget was not amended during the current fiscal year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are considered to be wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2.      SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Measurement Focus (Continued)

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the balance sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental funds types increases and decreases in available spendable resources. Fund balances in governmental funds are classified using the following hierarchy:

*Nonspendable:* amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted:* amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

*Committed:* amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

*Assigned:* amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District does not have any assigned fund balances.

*Unassigned:* all other spendable amounts in the General Fund.

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

Accounting Estimates

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

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 3. LONG – TERM DEBT**

	Refunding Series 2012	Refunding Series 2014
Amounts Outstanding – September 30, 2018	\$ 730,000	\$5,395,000
Interest Rates	3.00%	2.50% - 3.50%
Maturity Dates – Serially Beginning/Ending	April 1, 2019/2020	April 1, 2019/2027
Interest Payment Dates	October 1/April 1	October 1/April 1
Callable Dates	April 1, 2018*	April 1, 2020*
	Refunding Series 2016	
Amounts Outstanding – September 30, 2018	\$5,270,000	
Interest Rates	2.00% - 3.00%	
Maturity Dates – Serially Beginning/Ending	April 1, 2019/2026	
Interest Payment Dates	October 1/April 1	
Callable Dates	April 1, 2022*	

\* Bonds maturing on or after this date are subject to being called at par value plus accrued interest date to the date fixed for redemption.

The following is a summary of transactions regarding bonds payable for the year ended September 30, 2018:

	October 1, 2017	Additions	Retirements	September 30, 2018
Bonds Payable	\$ 12,500,000	\$	\$ 1,105,000	\$ 11,395,000
Unamortized Discounts	(7,381)		(2,948)	(4,433)
Unamortized Premiums	466,099		64,206	401,893
Bonds Payable, Net	<u>\$ 12,958,718</u>	<u>\$ -0-</u>	<u>\$ 1,166,258</u>	<u>\$ 11,792,460</u>
		Amount Due Within One Year		\$ 1,120,000
		Amount Due After One Year		<u>10,672,460</u>
		Bonds Payable, Net		<u>\$ 11,792,460</u>

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 3. LONG - TERM DEBT (Continued)**

As of September 30, 2018, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2019	\$ 1,120,000	\$ 339,400	\$ 1,459,400
2020	1,170,000	311,700	1,481,700
2021	1,155,000	280,950	1,435,950
2022	1,190,000	254,050	1,444,050
2023	1,235,000	218,350	1,453,350
2024-2027	5,525,000	478,526	6,003,526
	<u>\$ 11,395,000</u>	<u>\$ 1,882,976</u>	<u>\$ 13,277,976</u>

As of September 30, 2018, the District has authorized but unissued tax bonds in the amount of \$8,520,000 and available refunding bonds authorization of \$24,198,682. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended September 30, 2018, the District levied an ad valorem debt service tax rate of \$0.3238 per \$100 of assessed valuation, which resulted in a tax levy of \$1,444,344 on the adjusted taxable valuation of \$446,036,359 for the 2017 tax year. The bond order and bond resolution require the District to levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and the cost of assessing and collecting taxes. See Note 7 for the maintenance tax levy.

The District's tax calendar is as follows:

Levy Date	- October 1, or as soon thereafter as practicable.
Lien Date	- January 1.
Due Date	- Not later than January 31.
Delinquent Date	- February 1, at which time the taxpayer is liable for penalty and interest.

**NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS**

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District. This information, along with the audited annual financial statements, is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS**

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$4,173,224 and the bank balance was \$4,427,877. The District was not exposed to custodial risk at year-end.

The carrying values of the deposits are included in the Governmental Funds Balance Sheet and the Statement of Net Position at September 30, 2018, as listed below:

	Cash	Certificates of Deposit	Total
GENERAL FUND	\$ 233,224	\$ 3,460,000	\$ 3,693,224
DEBT SERVICE FUND		480,000	480,000
TOTAL DEPOSITS	<u>\$ 233,224</u>	<u>\$ 3,940,000</u>	<u>\$ 4,173,224</u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool. As of September 30, 2018, the District had the following investments and maturities:

Fund and Investment Type	Fair Value	Maturities of Less Than 1 year
<u>GENERAL FUND</u>		
TexPool	\$ 350,211	\$ 350,211
Certificates of Deposit	3,460,000	3,460,000
<u>DEBT SERVICE FUND</u>		
TexPool	78,954	78,954
Certificates of Deposit	480,000	480,000
<u>CAPITAL PROJECTS FUND</u>		
TexPool	68,091	68,091
<b>TOTAL INVESTMENTS</b>	<u>\$ 4,437,256</u>	<u>\$ 4,437,256</u>

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2018, the District's investment in TexPool was rated AAAM by Standard and Poor's. The District also invests in certificates of deposit which are fully covered by federal depository insurance.



**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 5. DEPOSITS AND INVESTMENTS (Continued)**

Investments (Continued)

Interest rate risk is the risk the changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District. The District also typically invests in certificates of deposit with maturities of less than one year.

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and the cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets.

**NOTE 6. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2018:

	October 1, 2017	Increases	Decreases	September 30, 2018
<b>Capital Assets Not Being Depreciated</b>				
Land and Land Improvements	\$ 306,291	\$ -0-	\$ -0-	\$ 306,291
<b>Capital Assets Subject to Depreciation</b>				
Common Recreational Areas	\$ 6,158,096	\$ 48,486		\$ 6,206,582
Water, Wastewater and Drainage System	18,097,198	9,025		18,106,223
Capital Recovery Fees	4,613,743			4,613,743
<b>Total Capital Assets Subject to Depreciation</b>	\$ 28,869,037	\$ 57,511	\$ -0-	\$ 28,926,548
<b>Less Accumulated Depreciation</b>				
Common Recreational Areas	\$ 4,521,504	\$ 260,322		\$ 4,781,826
Water, Wastewater and Drainage System	6,743,620	372,454		7,116,074
Capital Recovery Fees	2,181,712	140,801		2,322,513
<b>Total Accumulated Depreciation</b>	\$ 13,446,836	\$ 773,577	\$ -0-	\$ 14,220,413
<b>Total Depreciable Capital Assets, Net of Accumulated Depreciation</b>	\$ 15,422,201	\$ (716,066)	\$ -0-	\$ 14,706,135
<b>Total Capital Assets, Net of Accumulated Depreciation</b>	\$ 15,728,492	\$ (716,066)	\$ -0-	\$ 15,012,426

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 7. MAINTENANCE TAX**

On April 4, 1981, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$1.00 of assessed valuation of taxable property within the District. During the year ended September 30, 2018, the District levied an ad valorem maintenance tax rate of \$0.3411 per \$100 of assessed valuation, which resulted in a tax levy of \$1,521,512 on the adjusted taxable valuation of \$446,036,359 for the 2017 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks and sanitary sewer system.

**NOTE 8. CONTRACT TAX**

On May 12, 2007, the voters within the District approved a fire protection plan and contract with the City of Cedar Park, Texas for fire protection services including the funding of a service fee payable to Cedar Park through (a) tax revenues generated by a contract tax, (b) a user fee, (c) any other funds lawfully available to the District; or (d) a combination of these. During the year ended September 30, 2018, the District levied a contract tax rate of \$0.1361, which resulted in a tax levy of \$607,088 on the adjusted taxable valuation of \$446,036,359 for the 2017 tax year.

**NOTE 9. WATER SUPPLY AGREEMENT**

Effective March 10, 1995, the District and the City of Cedar Park, Texas (the "City") entered into a water supply contract (the "Water Agreement"). Under the terms of the Water Agreement, the City agreed to sell and the District agreed to purchase capacity in the City's water treatment and distribution system, and the City agreed to provide the District with a wholesale water supply. The Water Agreement establishes a wholesale rate for water provided by the City to the District and provides a mechanism for calculating increases in the rate based upon a cost of service study. The current rate being charged by the City is \$2.90 per 1,000 gallons purchased. During the current fiscal year, the District recorded an expenditure of \$632,795 for purchased water services.

**NOTE 10. WHOLESALE WASTEWATER SERVICE AGREEMENT**

Effective September 25, 2002, the District and the City entered into a wholesale wastewater service contract (the "Wastewater Agreement"). Under the terms of the Wastewater Agreement, the District agreed to purchase capacity in the City's wastewater collection and treatment system and the City agreed to provide the District with wholesale wastewater treatment services for its existing and future development. The Wastewater Agreement established a wholesale rate for wastewater service provided by the City to the District and provides that the City can change the rate periodically by action of the City Council after giving at least 30 day notice to the District to review and comment on the proposed change. The Wastewater Agreement was amended on April 10, 2008 to change how wastewater flow was to be measured. The current rate being charged by the City is \$2.01 per 1,000 gallons purchased. During the current fiscal year, the District recorded an expenditure of \$302,512 for purchased wastewater services.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 11. 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 natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (TML) to provide property, general liability, automobile, boiler and machinery, errors and omissions and law enforcement liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML's management. As claims arise they are submitted and evaluated and denied or allowed by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**

**REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018**

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Property Taxes	\$ 2,064,157	\$ 2,121,539	\$ 57,382
Water Service	715,000	738,588	23,588
Wastewater Service	448,000	419,093	(28,907)
Park Fee	250,000	263,263	13,263
Basic Services	1,040,000	1,041,895	1,895
Penalty and Interest	60,000	64,367	4,367
Tap Connection and Inspection Fees	1,500	2,034	534
Investment Revenues	12,060	47,877	35,817
Miscellaneous Revenues	14,860	38,846	23,986
<b>TOTAL REVENUES</b>	<u>\$ 4,605,577</u>	<u>\$ 4,737,502</u>	<u>\$ 131,925</u>
<b>EXPENDITURES</b>			
Services Operations:			
Professional Fees	\$ 220,500	\$ 208,725	\$ 11,775
Contracted Services	1,630,709	1,670,018	(39,309)
Purchased Water Service	705,000	632,795	72,205
Purchased Wastewater Service	315,000	302,512	12,488
Utilities	77,500	48,359	29,141
Park/Pool	967,500	1,176,281	(208,781)
Repairs and Maintenance	175,000	130,195	44,805
Other	200,500	175,778	24,722
Capital Outlay	285,000	57,511	227,489
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,576,709</u>	<u>\$ 4,402,174</u>	<u>\$ 174,535</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 28,868	\$ 335,328	\$ 306,460
<b>FUND BALANCE - OCTOBER 1, 2017</b>	<u>3,524,694</u>	<u>3,524,694</u>	<u></u>
<b>FUND BALANCE - SEPTEMBER 30, 2018</b>	<u>\$ 3,553,562</u>	<u>\$ 3,860,022</u>	<u>\$ 306,460</u>

See accompanying independent auditor's report.

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
SUPPLEMENTARY INFORMATION – REQUIRED BY THE  
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE  
SEPTEMBER 30, 2018**

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:**

<u>  X  </u>	Retail Water	<u>          </u>	Wholesale Water	<u>  X  </u>	Drainage
<u>  X  </u>	Retail Wastewater	<u>          </u>	Wholesale Wastewater	<u>          </u>	Irrigation
<u>  X  </u>	Parks/Recreation	<u>  X  </u>	Fire Protection	<u>  X  </u>	Security
<u>  X  </u>	Solid Waste/Garbage	<u>          </u>	Flood Control	<u>          </u>	Roads
<u>          </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u>  X  </u>	Other (specify): Restrictive Covenant Enforcement				

**2. RETAIL SERVICE PROVIDERS**

**a. RETAIL RATES FOR A 3/4" METER (OR EQUIVALENT):**

Based on the rate order effective September 26, 2018.

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 49.66*	N/A	N	\$ 3.88 \$ 4.12 \$ 4.55 \$ 5.00	0,001 to 7,000 7,001 to 14,000 14,001 to 20,000 20,001 and up
WASTEWATER:		N/A	N	\$ 4.00	0,001 and up
SURCHARGE:	\$0.05% of water and wastewater bill				
Regulatory Assessment Fee					

District employs winter averaging for wastewater usage?	<u>  X  </u>	<u>          </u>
	Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$89.18 Wastewater: \$40.00 Surcharge: \$0.65

\* Includes base fee of \$49.66.

See accompanying independent auditor's report.



**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**2. RETAIL SERVICE PROVIDERS (Continued)**

**b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤¾"	<u>2,168</u>	<u>2,161</u>	x 1.0	<u>2,161</u>
1"	<u>1</u>	<u>1</u>	x 2.5	<u>3</u>
1½"	<u>1</u>	<u>1</u>	x 5.0	<u>5</u>
2"	<u>1</u>	<u>1</u>	x 8.0	<u>8</u>
3"	<u>1</u>	<u>1</u>	x 15.0	<u>15</u>
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>2,172</u>	<u>2,165</u>		<u>2,192</u>
Total Wastewater Connections	<u>2,171</u>	<u>2,164</u>	x 1.0	<u>2,164</u>

**3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited):**

Gallons billed to customers:	204,331,000	Water Accountability Ratio: 94.0%
		(Gallons billed/Gallons purchased)
Gallons purchased:	217,423,000	From: <u>City of Cedar Park, Texas</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
SERVICES AND RATES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

**4. STANDBY FEES** (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes \_\_\_\_\_ No X

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

**5. LOCATION OF DISTRICT:**

Is the District located entirely within one county?

Yes X No \_\_\_\_\_

County in which District is located:

Williamson County, Texas

Is the District located within a city?

Entirely \_\_\_\_\_ Partly \_\_\_\_\_ Not at all X

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

Entirely X Partly \_\_\_\_\_ Not at all \_\_\_\_\_

ETJ in which District is located:

City of Cedar Park, Texas

Is the general membership of the Board appointed by an office outside the District?

Yes \_\_\_\_\_ No X

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

PROFESSIONAL FEES:	
Auditing	\$ 16,800
Engineering	24,814
Legal	164,861
Financial Advisor	<u>2,250</u>
TOTAL PROFESSIONAL FEES	<u>\$ 208,725</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 632,795
Purchased Wastewater Service	<u>302,512</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 935,307</u>
CONTRACTED SERVICES:	
Tax Assessor/Appraisal District	\$ 22,887
Bookkeeping	43,250
General Manager	130,200
Operations and Billing	<u>233,708</u>
TOTAL CONTRACTED SERVICES	<u>\$ 430,045</u>
UTILITIES	<u>\$ 48,359</u>
REPAIRS AND MAINTENANCE	<u>\$ 130,195</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees	\$ 27,550
Election Costs	5,025
Insurance	17,813
Legal Notices	882
Office Supplies and Postage	26,713
Payroll Taxes	10,563
Travel and Meetings	9,560
Other	<u>59,869</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 157,975</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
GENERAL FUND EXPENDITURES  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

CAPITAL OUTLAY	<u>\$ 57,511</u>
SOLID WASTE DISPOSAL	<u>\$ 504,968</u>
SECURITY	<u>\$ 129,832</u>
PARKS AND RECREATION	<u>\$ 1,176,281</u>
FIRE FIGHTING	<u>\$ 605,173</u>
OTHER EXPENDITURES:	
Permit Fees	\$ 5,505
Regulatory Assessment	<u>12,298</u>
TOTAL OTHER EXPENDITURES	<u>\$ 17,803</u>
TOTAL EXPENDITURES	<u><u>\$ 4,402,174</u></u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
INVESTMENTS  
SEPTEMBER 30, 2018**

<u>Funds</u>	<u>Identification or Certificate Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
<u>GENERAL FUND</u>					
TexPool	XXXX0001	Varies	Daily	\$ 3,423	\$
TexPool	XXXX0005	Varies	Daily	346,788	
Certificate of Deposit	XXXX0418	0.95%	11/20/18	240,000	1,555
Certificate of Deposit	XXXX2266	1.10%	01/22/19	240,000	1,562
Certificate of Deposit	XXXX0343	2.30%	10/15/19	100,000	95
Certificate of Deposit	XXXX7699	1.20%	12/23/18	240,000	1,704
Certificate of Deposit	XXXX0317	1.50%	04/17/19	240,000	2,002
Certificate of Deposit	XXXX1888	2.40%	07/26/19	240,000	1,042
Certificate of Deposit	XXXX4324	2.00%	05/01/19	240,000	1,986
Certificate of Deposit	XXXX9124	2.06%	05/02/19	240,000	2,045
Certificate of Deposit	XXXX0366	1.35%	03/15/19	240,000	1,917
Certificate of Deposit	XXXX8634	1.10%	02/27/19	240,000	1,555
Certificate of Deposit	XXXX6461	2.36%	09/17/19	240,000	900
Certificate of Deposit	XXXX3194	2.00%	07/01/19	240,000	737
Certificate of Deposit	XXXX0301	2.40%	08/17/19	240,000	915
Certificate of Deposit	XXXX6937	2.10%	06/01/19	240,000	1,671
Certificate of Deposit	XXXX7777	0.85%	10/04/18	240,000	1,817
TOTAL GENERAL FUND				<u>\$ 3,810,211</u>	<u>\$ 21,503</u>
<u>DEBT SERVICE FUND</u>					
TexPool	XXXX0002	Varies	Daily	\$ 1,868	\$
TexPool	XXXX0003	Varies	Daily	77,086	
Certificate of Deposit	XXXX1539	1.90%	02/23/19	240,000	1,374
Certificate of Deposit	XXXX6296	1.90%	02/23/19	240,000	1,549
TOTAL DEBT SERVICE FUND				<u>\$ 558,954</u>	<u>\$ 2,923</u>
<u>CAPITAL PROJECTS FUND</u>					
TexPool	XXXX0004	Varies	Daily	<u>\$ 68,091</u>	<u>\$ -0-</u>
TOTAL - ALL FUNDS				<u><u>\$ 4,437,256</u></u>	<u><u>\$ 24,426</u></u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**TAXES LEVIED AND RECEIVABLE**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	Maintenance Tax		Contract Tax		Debt Service Tax					
TAXES RECEIVABLE -										
OCTOBER 1, 2017	\$	6,070		\$	2,962	\$	8,285			
Adjustments to Beginning										
Balance		<u>(81)</u>	\$	5,989	<u>(34)</u>	\$	2,928	<u>(78)</u>	\$	8,207
Original 2017 Tax Levy	\$	1,521,956		\$	607,265		\$	1,444,765		
Adjustment to 2017 Tax Levy		<u>(444)</u>		<u>1,521,512</u>	<u>(177)</u>	<u>607,088</u>		<u>(421)</u>		<u>1,444,344</u>
TOTAL TO BE										
ACCOUNTED FOR			\$	1,527,501		\$	610,016		\$	1,452,551
TAX COLLECTIONS:										
Prior Years	\$	3,034		\$	1,349		\$	3,456		
Current Year		<u>1,513,332</u>		<u>1,516,366</u>	<u>603,824</u>	<u>605,173</u>		<u>1,436,578</u>		<u>1,440,034</u>
TAXES RECEIVABLE -										
SEPTEMBER 30, 2018			\$	<u>11,135</u>		\$	<u>4,843</u>		\$	<u>12,517</u>
TAXES RECEIVABLE BY										
YEAR:										
2017			\$	8,180		\$	3,264		\$	7,766
2016				1,047			460			1,149
2015				423			193			528
2014				350			180			516
2013				253			169			512
2012				273			190			605
2011				302			171			598
2010				246			180			676
2009 and prior				<u>61</u>			<u>36</u>			<u>167</u>
TOTAL			\$	11,135		\$	4,843		\$	12,517

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
TAXES LEVIED AND RECEIVABLE  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
PROPERTY VALUATIONS:				
Land	\$ 98,962,089	\$ 98,974,839	\$ 82,068,836	\$ 70,941,965
Improvements	387,650,823	337,397,503	324,944,704	302,582,112
Personal Property	3,819,943	3,515,700	3,891,623	3,626,373
Exemptions	<u>(44,396,496)</u>	<u>(28,713,433)</u>	<u>(30,416,944)</u>	<u>(30,264,484)</u>
TOTAL PROPERTY VALUATIONS (a)	<u>\$ 446,036,359</u>	<u>\$ 411,174,609</u>	<u>\$ 380,488,219</u>	<u>\$ 346,885,966</u>
TAX RATES PER \$100 VALUATION:				
Debt Service	\$ 0.3238	\$ 0.3465	\$ 0.3820	\$ 0.4154
Maintenance	0.3411	0.3157	0.3057	0.2819
Contract	<u>0.1361</u>	<u>0.1388</u>	<u>0.1393</u>	<u>0.1450</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 0.8010</u>	<u>\$ 0.8010</u>	<u>\$ 0.8270</u>	<u>\$ 0.8423</u>
ADJUSTED TAX LEVY*	<u>\$ 3,572,944</u>	<u>\$ 3,293,699</u>	<u>\$ 3,146,860</u>	<u>\$ 2,925,110</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED**	<u>99.46 %</u>	<u>99.92 %</u>	<u>99.96 %</u>	<u>99.96 %</u>

\* Based upon adjusted tax levy at time of audit for the fiscal year in which the tax was levied.

\*\* Calculated as taxes collected in current and previous years divided by tax levy. Calculated as of time of the original tax levy and may vary from that provided in the District's bond offering documents or the District's annual disclosure filings.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation was approved by voters on April 4, 1981.

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

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
LONG-TERM DEBT SERVICE REQUIREMENTS  
SEPTEMBER 30, 2018**

REFUNDING SERIES - 2012			
Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2019	\$ 360,000	\$ 21,900	\$ 381,900
2020	370,000	11,100	381,100
2021			
2022			
2023			
2024			
2025			
2026			
2027			
	<u>\$ 730,000</u>	<u>\$ 33,000</u>	<u>\$ 763,000</u>

See accompanying independent auditor's report.



**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2018**

REFUNDING SERIES - 2014			
Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2019	\$ 340,000	\$ 175,700	\$ 515,700
2020	365,000	167,200	532,200
2021	380,000	156,250	536,250
2022	395,000	144,850	539,850
2023	395,000	133,000	528,000
2024	410,000	121,150	531,150
2025	430,000	108,850	538,850
2026	1,165,000	93,800	1,258,800
2027	1,515,000	53,026	1,568,026
	<u>\$ 5,395,000</u>	<u>\$ 1,153,826</u>	<u>\$ 6,548,826</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2018**

REFUNDING SERIES - 2016			
Due During Fiscal Years Ending September 30	Principal Due April 1	Interest Due October 1/ April 1	Total
2019	\$ 420,000	\$ 141,800	\$ 561,800
2020	435,000	133,400	568,400
2021	775,000	124,700	899,700
2022	795,000	109,200	904,200
2023	840,000	85,350	925,350
2024	865,000	60,150	925,150
2025	895,000	34,200	929,200
2026	245,000	7,350	252,350
2027			
	<u>\$ 5,270,000</u>	<u>\$ 696,150</u>	<u>\$ 5,966,150</u>

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**LONG-TERM DEBT SERVICE REQUIREMENTS**  
**SEPTEMBER 30, 2018**

ANNUAL REQUIREMENTS  
FOR ALL SERIES

Due During Fiscal Years Ending September 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2019	\$ 1,120,000	\$ 339,400	\$ 1,459,400
2020	1,170,000	311,700	1,481,700
2021	1,155,000	280,950	1,435,950
2022	1,190,000	254,050	1,444,050
2023	1,235,000	218,350	1,453,350
2024	1,275,000	181,300	1,456,300
2025	1,325,000	143,050	1,468,050
2026	1,410,000	101,150	1,511,150
2027	1,515,000	53,026	1,568,026
	<u>\$ 11,395,000</u>	<u>\$ 1,882,976</u>	<u>\$ 13,277,976</u>

See accompanying independent auditor's report.

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
CHANGE IN LONG-TERM BOND DEBT  
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

Description	Original Bonds Issued	Bonds Outstanding October 1, 2017
Block House Municipal Utility District		
Unlimited Tax Refunding Bonds - Series 2012	\$ 2,640,000	\$ 1,075,000
Block House Municipal Utility District		
Unlimited Tax Refunding Bonds - Series 2014	5,840,000	5,740,000
Block House Municipal Utility District		
Unlimited Tax Refunding Bonds - Series 2016	<u>5,800,000</u>	<u>5,685,000</u>
TOTAL	<u>\$ 14,280,000</u>	<u>\$ 12,500,000</u>

Bond Authority:	Tax Bonds *	Refunding Bonds
Amount Authorized by Voters	\$ 34,325,000	\$ 25,500,000
Amount Issued	<u>25,805,000</u>	<u>1,301,318</u>
Remaining to be Issued	<u>\$ 8,520,000</u>	<u>\$ 24,198,682</u>

Debt Service Fund cash, investments and cash with paying agent balances as of September 30, 2018: \$ 728,654

Average annual debt service payment (principal and interest) for remaining term of all debt: \$ 1,475,331

See Note 3 for interest rate, interest payment dates and maturity dates.

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

See accompanying independent auditor's report.

<u>Current Year Transactions</u>					
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding September 30, 2018</u>	<u>Paying Agent</u>	
	<u>Principal</u>	<u>Interest</u>			
\$	\$ 345,000	\$ 32,250	\$ 730,000	Bank Of Texas Austin, TX	
	345,000	182,600	5,395,000	Bank Of Texas Austin, TX	
	<u>415,000</u>	<u>150,100</u>	<u>5,270,000</u>	Bank Of Texas Austin, TX	
<u>\$ - 0 -</u>	<u>\$ 1,105,000</u>	<u>\$ 364,950</u>	<u>\$ 11,395,000</u>		

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 2,121,539	\$ 1,866,844	\$ 1,693,758
Service Revenues	2,527,206	2,521,879	2,531,575
Tap Connection and Inspection Fees	2,034	3,154	2,171
Investment Revenues	47,877	19,951	16,753
Miscellaneous Revenues	38,846	30,566	16,299
<b>TOTAL REVENUES</b>	<u>\$ 4,737,502</u>	<u>\$ 4,442,394</u>	<u>\$ 4,260,556</u>
<b>EXPENDITURES</b>			
Professional Fees and Contracted Services	\$ 1,878,743	\$ 1,819,548	\$ 1,750,121
Purchased Water and Wastewater Service	935,307	987,363	932,307
Utilities	48,359	47,751	47,866
Park/Pool	1,176,281	877,699	708,156
Repairs and Maintenance	130,195	84,721	63,677
Other	175,778	186,318	182,257
Capital Outlay	57,511	81,310	1,051,958
<b>TOTAL EXPENDITURES</b>	<u>\$ 4,402,174</u>	<u>\$ 4,084,710</u>	<u>\$ 4,736,342</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ 335,328	\$ 357,684	\$ (475,786)
<b>BEGINNING FUND BALANCE</b>	<u>3,524,694</u>	<u>3,167,010</u>	<u>3,642,796</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 3,860,022</u>	<u>\$ 3,524,694</u>	<u>\$ 3,167,010</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 1,486,745	\$ 1,237,975	44.9 %	42.0 %	39.7 %	36.7 %	32.1 %
2,501,053	2,537,176	53.3	56.8	59.4	61.8	65.8
2,106	3,306		0.1	0.1	0.1	0.1
15,086	13,472	1.0	0.4	0.4	0.4	0.3
41,181	65,219	0.8	0.7	0.4	1.0	1.7
<u>\$ 4,046,171</u>	<u>\$ 3,857,148</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 1,580,685	\$ 1,491,236	39.7 %	41.0 %	41.1 %	39.1 %	38.7 %
862,480	911,429	19.7	22.2	21.9	21.3	23.6
50,126	56,549	1.0	1.1	1.1	1.2	1.5
728,530	733,052	24.8	19.8	16.6	18.0	19.0
79,840	114,037	2.7	1.9	1.5	2.0	3.0
201,058	158,796	3.7	4.2	4.3	5.0	4.1
156,166		1.2	1.8	24.7	3.9	
<u>\$ 3,658,885</u>	<u>\$ 3,465,099</u>	<u>92.8 %</u>	<u>92.0 %</u>	<u>111.2 %</u>	<u>90.5 %</u>	<u>89.9 %</u>
\$ 387,286	\$ 392,049	7.2 %	8.0 %	(11.2) %	9.5 %	10.1 %
<u>3,255,510</u>	<u>2,863,461</u>					
<u>\$ 3,642,796</u>	<u>\$ 3,255,510</u>					

See accompanying independent auditor's report.



**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES  
DEBT SERVICE FUND - FIVE YEARS**

	Amounts		
	2018	2017	2016
<b>REVENUES</b>			
Property Taxes	\$ 1,444,216	\$ 1,426,903	\$ 1,478,241
Investment Revenues	17,311	7,677	4,371
Miscellaneous Revenues	<u>7</u>	<u>7</u>	<u>7</u>
<b>TOTAL REVENUES</b>	<u>\$ 1,461,527</u>	<u>\$ 1,434,587</u>	<u>\$ 1,482,619</u>
<b>EXPENDITURES</b>			
Tax Collection Expenditures	\$ 2	\$ 150	\$
Debt Service Principal	1,105,000	1,030,000	1,055,000
Debt Service Interest and Fees	366,750	400,800	423,297
Bond Issuance Costs	<u></u>	<u></u>	<u>248,564</u>
<b>TOTAL EXPENDITURES</b>	<u>\$ 1,471,752</u>	<u>\$ 1,430,950</u>	<u>\$ 1,726,861</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>\$ (10,225)</u>	<u>\$ 3,637</u>	<u>\$ (244,242)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding Bonds	\$	\$	\$ 5,800,000
Transfer to Refunding Escrow Agent			(5,752,800)
Bond Premium	<u></u>	<u></u>	<u>201,364</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ 248,564</u>
<b>NET CHANGE IN FUND BALANCE</b>	\$ (10,225)	\$ 3,637	\$ 4,322
<b>BEGINNING FUND BALANCE</b>	<u>740,699</u>	<u>737,062</u>	<u>732,740</u>
<b>ENDING FUND BALANCE</b>	<u>\$ 730,474</u>	<u>\$ 740,699</u>	<u>\$ 737,062</u>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<u>2,165</u>	<u>2,204</u>	<u>2,196</u>
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<u>2,164</u>	<u>2,163</u>	<u>2,153</u>

See accompanying independent auditor's report.

		Percentage of Total Revenue				
2015	2014	2018	2017	2016	2015	2014
\$ 1,453,468	\$ 1,508,489	98.8 %	99.5 %	99.7 %	99.8 %	99.8 %
3,382	2,490	1.2	0.5	0.3	0.2	0.2
7						
<u>\$ 1,456,857</u>	<u>\$ 1,510,979</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
\$ 356	\$ 3,469	%	%	%	%	0.2 %
935,000	900,000	75.6	71.8	71.2	64.2	59.6
502,298	598,022	25.1	27.9	28.6	34.5	39.6
	228,322			16.8		15.1
<u>\$ 1,437,654</u>	<u>\$ 1,729,813</u>	<u>100.7 %</u>	<u>99.7 %</u>	<u>116.6 %</u>	<u>98.7 %</u>	<u>114.5 %</u>
\$ 19,203	\$ (218,834)	(0.7) %	0.3 %	(16.6) %	1.3 %	(14.5) %
\$	\$ 5,840,000					
	(5,788,362)					
	177,255					
<u>\$ -0-</u>	<u>\$ 228,893</u>					
\$ 19,203	\$ 10,059					
713,537	703,478					
<u>\$ 732,740</u>	<u>\$ 713,537</u>					
2,162	2,168					
<u>2,142</u>	<u>2,142</u>					

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

District Mailing Address - Block House Municipal Utility District  
c/o Armbrust & Brown, PLLC  
100 Congress Avenue, Suite 1300  
Austin, TX 78701

District Telephone Number - (512) 259-0959

<b>Board Members</b>	<b>Term of Office (Elected or Appointed)</b>	<b>Fees of Office for the year ended <u>September 30, 2018</u></b>	<b>Expense Reimbursements for the year ended <u>September 30, 2018</u></b>	<b><u>Title</u></b>
Vanessa Longoria-Carter	11/14 11/18 (Elected)	\$ 4,700	\$ 1,542	President
Cecilia A. Roberts	11/16 11/20 (Elected)	\$ 7,150	\$ 1,640	Vice President
Ursula Logan	11/14 11/18 (Elected)	\$ 5,050	\$ 1,699	Treasurer
Rayan Horak	11/16 11/20 (Elected)	\$ 5,800	\$ 1,735	Secretary
Byron Koenig	08/18 11/18 (Appointed)	\$ 300	\$ -0-	Assistant Secretary
Debra Plowman	11/14 08/18 (Resigned)	\$ 4,550	\$ 1,593	Assistant Secretary

Note: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developer or with any of the District's consultants.

Submission Date of most recent District Registration Form (TWC Sections 36.054 and 49.054):  
November 28, 2018.

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution (TWC Section 49.060) on July 23, 2003. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2018**

<b>Consultants:</b>	<u>Date Hired</u>	<u>Fees for the year ended September 30, 2018</u>	<u>Title</u>
Armbrust & Brown, PLLC	06/91	\$ 173,617 \$ -0-	General Counsel Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	08/11	\$ 16,800	Auditor
Municipal Accounts & Consulting, L.P.	09/08	\$ 44,020	Bookkeeper
Gray & Associates, Inc.	11/92	\$ 2,303	Engineer
Public Finance Group LLC	03/14	\$ 2,250	Financial Advisor
Pinnacle Texas Management, LLC	09/15	\$ 185,123	General Manager
Crossroads Utility Services	06/09	\$ 392,997	Operator
Williamson County Tax Assessor/Collector	07/99	\$ 594	Tax Assessor/ Collector

See accompanying independent auditor's report.

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**

**OTHER SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2018**

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2018**  
**(UNAUDITED)**

Taxpayers	Tax Roll Year		
	2018	2017	2016
Paver Family Enterprises L.P.	\$ 1,889,341	\$ 1,763,688	1,646,090
Pedernales Electric Cooperative Inc.	1,199,500	1,274,100	1,925,678
McGetrick, Jacqueline	848,584	1,019,375	872,286
Arpad, Sheldon & Diana	680,657	657,420	575,320
Staalenburg, Ruben	644,372	621,879	522,168
Gone Fishing Investments LLC		470,711	
Heitkoetter, Markus			422,781
Roe, Robert R. & Laura A.	462,910	443,739	398,278
GCC Properties I L.P.	448,808		397,695
Tamhane, Sanjit	453,171	440,731	
Aguirre, Armonda Mauricio & Dennis			
Aquirre-Jordan		438,254	395,295
Bradford, McKay & Danielle			393,000
Cohen, Albert & Debra	476,189	447,830	
Gibson, Leslie M. & Evan E. Pierce	<u>448,386</u>		
Total Principal Taxpayers	<u>\$ 7,551,918</u>	<u>\$ 7,577,727</u>	<u>\$ 7,548,591</u>
Percent of Assessed Valuation	<u>1.61%</u>	<u>1.70%</u>	<u>1.84%</u>
Source: Williamson Central Appraisal District Website			

See accompanying independent auditor's report

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**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**  
**ASSESSED VALUE BY CLASSIFICATION**  
**SEPTEMBER 30, 2018**  
**(UNAUDITED)**

Type of Property	Tax Roll Year					
	2018		2017		2016	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Single Family	\$485,574,747	103.66%	\$458,759,788	102.85%	\$411,587,575	100.10%
Commercial	1,889,341	0.40	1,763,688	0.40	1,646,090	0.40
Utilities	1,359,469	0.29	1,483,517	0.33	1,274,100	0.31
Acreage	3,990,700	0.85	3,881,924	0.87	3,881,924	0.95
Vacant Lot	243,206	0.05	223,125	0.05	127,500	0.03
Tangible Personal, Business	576,660	0.12	948,727	0.21	380,893	0.09
Less: Adjustments	<u>(25,196,040)</u>	<u>(5.37)</u>	<u>(21,024,410)</u>	<u>(4.71)</u>	<u>(7,723,473)</u>	<u>(1.88)</u>
Total	<u>\$ 468,438,083</u>	<u>100.00%</u>	<u>\$ 446,036,359</u>	<u>100.00%</u>	<u>\$ 411,174,609</u>	<u>100.00%</u>

Source: "Comptrollers Audit Report" located on the Williamson  
Central Appraisal District Website

See accompanying independent auditor's report

**APPENDIX B**  
**FORM OF BOND COUNSEL OPINION**

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

**BLOCK HOUSE MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX REFUNDING BONDS, SERIES 2020  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,310,000**

**AS BOND COUNSEL FOR BLOCK HOUSE MUNICIPAL UTILITY DISTRICT** (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on September 25, 2019, authorizing the issuance of the Bonds and the pricing certificate executed by the pricing officer as designated in the order (collectively, the "Order").

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

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

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



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

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

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



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

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

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

Respectfully,

**APPENDIX C**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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