

OFFICIAL STATEMENT DATED SEPTEMBER 9, 2014

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: Insured S&P “AA” (stable outlook); Underlying Moody’s “A3”  
See “MUNICIPAL BOND RATINGS AND INSURANCE”

*In the opinion of Freeman & Corbett, Bond Counsel, the Bonds are valid obligations of the District payable from the proceeds of an ad valorem tax levied without limitations as to rate or amount on all taxable property in the District. In the opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, interest on the Bonds is excludable from gross income for purposes of federal income taxation under statutes, regulations, published rulings and court decisions existing on the date of such opinion, subject to the matters described under “Tax Matters” herein, including the alternative minimum tax on corporations. See “Legal Matters” and “Tax Matters” herein for a discussion of the opinions of Bond Counsel and Special Tax Counsel.*

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

**\$1,100,000**  
**Northeast Travis County Utility District**  
**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**  
**UNLIMITED TAX BONDS, SERIES 2014A**

**Dated: October 1, 2014**

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

Interest on the Bonds will accrue from October 1, 2014 and is payable March 1, 2015 and each September 1 and March 1 thereafter until maturity or earlier redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the “Paying Agent”). The Bonds are obligations solely of the District and are not obligations of the City of Pflugerville, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY**. See “BOND INSURANCE.”



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**MATURITY SCHEDULE**  
**(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.” THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS” herein.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by Freeman & Corbett, Austin, Texas, Bond Counsel, and McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Special Tax Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about October 7, 2014 in Austin, Texas.

**MATURITIES**  
**(Due September 1)**

Due	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>	Due	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>
2015	\$ 5,000	5.750%	1.150%	664387KX4	2022 *	\$ 5,000	5.750%	2.900%	664387LE5
2016	5,000	5.750%	1.350%	664387KY2	2023 *	5,000	5.750%	3.050%	664387LF2
2017	5,000	5.750%	1.600%	664387KZ9	2024 *	5,000	5.750%	3.150%	664387LG0
2018	5,000	5.750%	1.850%	664387LA3	2025 *	5,000	5.750%	3.250%	664387LH8
2019	5,000	5.750%	2.150%	664387LB1	2026 *	5,000	5.750%	3.350%	664387LJ4
2020	5,000	5.750%	2.450%	664387LC9	2027 *	5,000	5.750%	3.450%	664387LK1
2021	* 5,000	5.750%	2.650%	664387LD7					
<p>\$515,000 3.750% <sup>(a)</sup> Term Bond Due September 1, 2037* Yield <sup>(b)</sup> 3.832% CUSIP 664387LV7 <sup>(c)</sup></p> <p>\$520,000 3.750% <sup>(a)</sup> Term Bond Due September 1, 2039* Yield <sup>(b)</sup> 3.860% CUSIP 664387LX3 <sup>(c)</sup></p>									

- \* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2021 in whole or from time to time in part, on September 1, 2020, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing September 1, 2037 and September 1, 2039 (the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."
- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.32% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the District of 3.907336%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from October 1, 2014 to the date of delivery of the Bonds to the Initial Purchaser is to be added to the purchase price.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ 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 Initial Purchaser, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "Appendix D - Specimen Municipal Bond Insurance Policy".**

## TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT .....	4	Future Development .....	30
SALE AND DISTRIBUTION OF THE BONDS .....	4	Annexation of the District .....	31
Award of the Bonds .....	4	THE DEVELOPER .....	31
Prices and Marketability .....	4	Role of a Developer .....	31
Securities Laws .....	4	Description of the Developer .....	31
MUNICIPAL BOND RATINGS AND INSURANCE .....	5	Acquisition and Development Financing .....	31
BOND INSURANCE .....	5	Homebuilders .....	32
Bond Insurance Policy .....	5	THE SYSTEM .....	32
Build America Mutual Assurance Company .....	5	Regulation .....	32
OFFICIAL STATEMENT SUMMARY .....	7	Water Supply and Distribution .....	33
THE DISTRICT .....	7	Wastewater Collection and Treatment .....	33
THE BONDS .....	7	100-Year Flood Plain and Storm Drainage Information .....	33
INVESTMENT CONSIDERATIONS .....	9	Water and Wastewater Operations – Table 1 .....	34
SELECTED FINANCIAL INFORMATION .....	10	Operating Revenues and Expenses Statement – Table 2 .....	35
OFFICIAL STATEMENT .....	11	DEBT SERVICE REQUIREMENTS - TABLE 3 .....	36
INTRODUCTION .....	11	FINANCIAL STATEMENT .....	37
THE BONDS .....	11	Assessed Value – Table 4 .....	37
General Description .....	11	Unlimited Tax Bonds Authorized but Unissued - Table 5 .....	37
Redemption .....	11	Outstanding Bonds - Table 6 .....	38
DTC Redemption Provision .....	12	Cash and Investment Balances - Table 7 .....	38
Termination of Book-Entry-Only System .....	13	Investment Authority and Investment Practices of the District .....	38
Replacement Bonds .....	13	Current Investments - Table 8 .....	40
Authority for Issuance .....	13	Estimated Overlapping Debt Statement .....	40
Source of and Security for Payment .....	13	Overlapping Taxes for 2013 .....	41
Payment Record .....	14	TAX DATA .....	41
Flow of Funds .....	14	Classification of Assessed Valuation - Table 9 .....	41
Defeasance of Outstanding Bonds .....	14	Tax Collections - Table 10 .....	42
Paying Agent/Registrar .....	15	District Tax Rates - Table 11 .....	42
Record Date .....	15	Debt Service Tax .....	42
Issuance of Additional Debt .....	15	Maintenance Tax .....	42
Legal Investment and Eligibility to Secure Public Funds in		Principal Taxpayers - Table 12 .....	43
Texas .....	15	Tax Adequacy for Debt Service .....	44
Specific Tax Covenants .....	16	Debt Service Fund Management Index .....	44
Additional Covenants .....	16	TAXING PROCEDURES .....	44
Remedies in Event of Default .....	16	Authority to Levy Taxes .....	44
Annexation .....	16	Property Tax Code and County-Wide Appraisal District .....	44
Consolidation .....	16	Property Subject to Taxation by the District .....	45
Alteration of Boundaries .....	17	Valuation of Property for Taxation .....	45
Approval of the Bonds .....	17	District and Taxpayer Remedies .....	46
Amendments to the Bond Resolution .....	17	Levy and Collection of Taxes .....	46
BOOK-ENTRY-ONLY SYSTEM .....	17	Rollback of Operation and Maintenance Tax Rate .....	46
USE AND DISTRIBUTION OF BOND PROCEEDS .....	19	District's Rights In The Event Of Tax Delinquencies .....	46
INVESTMENT CONSIDERATIONS .....	20	Effect of FIRREA on Tax Collections .....	47
General .....	20	LEGAL MATTERS .....	47
Factors Affecting Taxable Values and Tax Payments .....	20	Legal Opinions .....	47
Tax Collections and Foreclosure Remedies .....	21	No-Litigation Certificate .....	47
Registered Owners' Remedies .....	21	No Material Adverse Change .....	47
Bond Insurance Risks .....	21	TAX MATTERS .....	47
Bankruptcy Limitation to Registered Owners' Rights .....	22	Tax Exemption .....	47
The Effect of the Financial Institutions Act of 1989 on Tax		Collateral Federal Income Tax Consequences .....	48
Collections of the District .....	22	Tax Accounting Treatment of Original Issue Discount Bonds .....	48
Marketability .....	22	State, Local and Foreign Taxes .....	49
Continuing Compliance with Certain Covenants .....	23	Qualified Tax-Exempt Obligations for Financial Institutions .....	49
Future Debt .....	23	CONTINUING DISCLOSURE OF INFORMATION .....	49
Environmental Regulations .....	23	Annual Reports .....	49
Future and Proposed Legislation .....	24	Notice of Certain Events .....	50
Drought Conditions .....	25	Availability of Information from MSRB .....	50
Tax Exempt Property – Strategic Housing Finance Corporation		Limitations and Amendments .....	50
of Travis County .....	25	Compliance with Prior Undertakings .....	50
No Requirement to Build on Developed Lots .....	25	FINANCIAL ADVISOR .....	51
Forward-Looking Statements .....	25	OFFICIAL STATEMENT .....	51
LOCATION MAP .....	26	Preparation .....	51
THE DISTRICT .....	27	Consultants .....	51
General .....	27	Updating the Official Statement During Underwriting Period .....	51
Management of the District .....	27	Certification as to Official Statement .....	52
Location .....	28	Annual Audits .....	52
Historical and Current Status of Development .....	28	PHOTOGRAPHS .....	
Comprehensive Development Agreement .....	29	APPENDIX A – Audited Financial Statement .....	
Single Family Development .....	30	APPENDIX B – Form of Bond Counsel Opinion .....	
		APPENDIX C – Form of Special Tax Counsel Opinion .....	
		APPENDIX D – Specimen Municipal Bond Insurance Policy .....	

## **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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

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

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

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

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

### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.32% of par plus accrued interest to date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### **Prices and Marketability**

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

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

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

### **Securities Laws**

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

## **MUNICIPAL BOND RATINGS AND INSURANCE**

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("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 Build America Mutual Assurance Company ("BAM" 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 "A3" 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, circumstance warrant. Any such downward revision or withdrawal of such rating may have an adverse effect of the market price of the Bonds.

### **BOND INSURANCE**

#### **Bond Insurance Policy**

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") 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.

#### **Build America Mutual Assurance Company**

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

The address of the principal executive offices of BAM is: 1 World Financial Center, 27th Floor, 200 Liberty Street, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

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

#### *Capitalization of BAM*

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2014 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$477.8 million, \$17.9 million and \$459.9 million, respectively.

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

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

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

*Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [buildamerica.com/creditisights/](http://buildamerica.com/creditisights/).

**Obligor Disclosure Briefs.** Subsequent to closing, BAM posts an Obligor Disclosure Brief on every issue insured by BAM, including the Bonds. BAM Obligor Disclosure Briefs provide information about the gross par insured by CUSIP, maturity and coupon; sector designation (e.g. general obligation, sales tax); a summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. The Obligor Disclosure Briefs are also easily accessible on BAM's website at [buildamerica.com/obligor/](http://buildamerica.com/obligor/).

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

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

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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.....	Northeast Travis County Utility District (the "District"), a political subdivision of the State of Texas, was created by special act of the Texas Legislature, Chapter 966 Sections 3.1601 to 3.1614, of the 77 <sup>th</sup> Regular Session of the Texas Legislature (the "Act") effective September 1, 2001 and confirmed pursuant to an election held within the District on November 5, 2002. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to the Act and Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. See "THE DISTRICT – General."
Location.....	The District, which currently encompasses approximately 373 acres of land, of which approximately 349 acres are developable, is located entirely within the extraterritorial jurisdiction of the City of Pflugerville (the "City" or "Pflugerville"), except for approximately 20.83 acres which lies within the city limits of the City, and entirely within Travis County, Texas. The District is located approximately three miles northeast of downtown Pflugerville, Texas and is situated approximately one mile east of FM 685 and State Highway 130, and is bounded on the northeast by Kelly Lane and on the southeast by Weiss Lane. See "THE DISTRICT - Location."
The Developer .....	The developer currently active within the District is Buffington Land, Ltd., a Texas limited partnership ("Buffington Land" or the "Developer"), whose general partner is Buffington Land Management, LLC, a Texas limited liability company. See "THE DEVELOPER - Description of the Developer," "THE DISTRICT – Historical and Current Status of Development" and "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments – Developer Pending Lawsuit."
Status of Development.....	Of the approximate 373 acres encompassed by the District, approximately 349 acres are developable. Development of the District commenced in 2003 and land in the District is being developed as the single family residential subdivision of Villages of Hidden Lake. As of July 1, 2014, approximately 318 acres (or 91.11% of the approximately 349 developable acres within the District) had been or is currently being developed with utility facilities as the single family residential subdivisions of the Villages of Hidden Lake, Phases 1, 2A, 2B, 3A, 3B, 4A, 4B, 4C, 5A, 5B, 6A-1, 6B-1 and 6B-2, consisting of 1,171 developed single family lots, which includes 1,052 completed homes, 12 homes under construction and 107 vacant developed single family lots. Additionally, there are approximately 5.37 acres of commercial tracts within the District. See "THE DISTRICT – Historical and Current Status of Development." The District also includes an amenity center encompassing approximately 2.14 acres, which includes a Junior Olympic pool, a pool house, a sport court and a playscape along with a portion of a hike and bike trail connecting the development with the adjacent Pflugerville Park and Recreational Lake.
Homebuilders.....	The homebuilders currently active within the District are Texas Classic Homes and Megatel Homes. The Developer has represented that the sales prices of homes being constructed generally range from approximately \$160,000 to \$320,000, with square footage ranging from approximately 1,412 to 4,583. See "THE DISTRICT – Historical and Current Status of Development."

### THE BONDS

Description .....	The Bonds in the aggregate principal amount of \$1,100,000 mature serially in varying amounts on September 1 of each year from 2015 through 2027 and as Term Bonds which mature September 1, 2037 and September 1, 2039, as set forth on the inside cover page hereof. Interest accrues from October 1, 2014 at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2015 and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
Redemption .....	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2021, in whole or from time to time in part, on September 1, 2020, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing September 1, 2037 and September 1, 2039 are also subject to mandatory sinking fund redemption. 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 Pflugerville, Texas; Travis 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 previously issued seven installments of new money bonds and three installments of refunding bonds. The District has made timely payment on its Unlimited Tax Bonds, Series 2005; Unlimited Tax Bonds Series 2006; Unlimited Tax Bonds, Series 2007; Unlimited Tax Bonds, Series 2008; Unlimited Tax Bonds, Series 2010; Unlimited Tax Refunding Bonds, Series 2011; Unlimited Tax Refunding Bonds, Series 2012; Unlimited Tax Bonds, Series 2012A; Unlimited Tax Refunding Bonds, Series 2012B; and Unlimited Tax Bonds, Series 2014. The proceeds of the outstanding new money bonds included up to 24 months of capitalized interest. See "FINANCIAL STATEMENT – Outstanding Bonds."
Authority for Issuance .....	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, a bond election held within the District on November 5, 2002, approving the issuance of bonds, the approving Order of the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission") and pursuant to a Resolution (the "Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds. See "THE BONDS - Authority for Issuance."
Use of Proceeds .....	<p>The proceeds of the Bonds will be used to finance the costs of the following projects: (i) partial funding of the construction costs for water distribution, wastewater collection, and drainage facilities serving Villages of Hidden Lake Phases 5B; and (ii) partial funding of the construction costs for water distribution, wastewater collection, and drainage facilities serving Villages of Hidden Lake Phases 5A.</p> <p>In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twenty-four months' interest requirements on the Bonds; (ii) pay certain engineering costs; (iii) pay developer interest; and (iv) pay certain costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."</p>
Bonds Authorized But Unissued .....	At an election held within the District on November 5, 2002 voters within the District authorized a total of \$50,000,000 in bonds, of which \$26,525,000 will remain authorized but unissued after the issuance of the Bonds. See "FINANCIAL STATEMENT - Outstanding Bonds"; "Unlimited Tax Bonds Authorized but Unissued"; and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Bond Insurance .....	Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("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 Build America Mutual Assurance Company ("BAM" 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 "A3" to the Bonds.
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 2014 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."
Bond Counsel and General Counsel.....	Freeman & Corbett, Austin, Texas.
Special Tax Counsel .....	McCall, Parkhurst & Horton L.L.P., Dallas, Texas.
Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
Financial Advisor.....	Public Finance Group LLC, Austin, Texas.
Engineer .....	Jones-Heroy & Associates, Inc. Austin, Texas



## **INVESTMENT CONSIDERATIONS**

The purchase and ownership of the Bonds involve certain 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.

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**SELECTED FINANCIAL INFORMATION**  
(Unaudited as of September 1, 2014)

2013 Certified Assessed Valuation		\$170,498,606	(a)
2014 Certified Assessed Valuation		\$199,840,062	(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 20,015,000	(c)
Ratio of Gross Debt to 2013 Certified Assessed Valuation		11.74%	
Ratio of Gross Debt to 2014 Certified Assessed Valuation		10.02%	
2013 Tax Rate			
	Debt Service	\$ 0.7409	
	Maintenance	<u>0.1584</u>	
	<b>Total 2013 Tax Rate</b>	<u><u>\$ 0.8993</u></u>	(d)
Projected 2014 Tax Rate			
	Debt Service	\$ 0.6973	
	Maintenance	<u>0.1787</u>	
	<b>Total Projected 2014 Tax Rate</b>	<u><u>\$ 0.8760</u></u>	(d)
Debt Service Fund Balance (as of September 9, 2014)		\$ 594,110	(e)
Percentage of current tax collections (Tax Years 2003-2013)		96.89%	(f)
Percentage of total tax collections (Tax Years 2003-2013)		99.63%	(f)
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2015-2031, inclusive)		\$ 1,496,834	
Tax Rate required to pay Average Requirement based upon 2013 Certified Assessed Valuation at 95% collections		\$ 0.93 /\$100 AV	
Tax Rate required to pay Average Requirement based upon 2014 Certified Assessed Valuation at 95% collections		\$ 0.79 /\$100 AV	
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2028)		\$ 1,552,934	
Tax Rate required to pay Maximum Requirement based upon 2013 Certified Assessed Valuation at 95% collections		\$ 0.96 /\$100 AV	
Tax Rate required to pay Maximum Requirement based upon 2014 Certified Assessed Valuation at 95% collections		\$ 0.82 /\$100 AV	
Number of active connections as of July 1, 2014			
Single Family - Occupied		1,050	
Single Family - Unoccupied		2	
Single Family - Builder		<u>12</u>	
	<b>Total Number of Active Connections</b>	<b>1,064</b>	
Estimated Population as of July 1, 2014		3,675	(g)

- (a) Certified assessed valuation of the District as of January 1, 2013 as provided by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Certified assessed valuation of the District as of January 1, 2014, as provided by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds.
- (d) The District levied a 2013 tax rate of \$0.8993 and expects to levy a 2014 tax rate of \$0.8760 on September 29, 2014.
- (e) Unaudited as of September 9, 2014. Does not include approximately twenty-four months' capitalized interest (\$85,961) included in the Bond proceeds to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections."
- (g) Based upon 3.5 residents per occupied single family home.

**OFFICIAL STATEMENT**  
**relating to**  
  
**\$1,100,000**  
**Northeast Travis County Utility District**  
**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

**UNLIMITED TAX BONDS, SERIES 2014A**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Northeast Travis County Utility District (the "District"), a political subdivision of the State of Texas, of its \$1,100,000 Unlimited Tax Bonds, Series 2014A (the "Bonds").

The Bonds are issued pursuant to a resolution (the "Bond Resolution") adopted by the Board of Directors of the District on the date of the sale of the Bonds, pursuant to the Constitution and general laws of the State of Texas (the "State") including Chapters 49 and 54 of the Texas Water Code, as amended, the bond election approved by the voters within the District on November 5, 2002, and the approving order of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission").

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District, its finances and the Developer (as defined herein). Copies of such documents may be obtained from the District c/o Freeman & Corbett, 8500 Bluffstone Cove, Suite B-104, Austin, Texas, 78759 or from the District's Financial Advisor, Public Finance Group LLC, 7004 Bee Cave Rd., Building 3, Suite 315, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

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

**THE BONDS**

**General Description**

The Bonds of the District to be known and designated as Northeast Travis County Utility District Unlimited Tax Bonds, Series 2014A, shall be issued in the aggregate principal amount of \$1,100,000 for the purposes of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending a water, wastewater, and drainage system and facilities for providing water, wastewater and drainage services within the District, including, but not limited to, all additions thereto and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor, and administrative facilities needed in connection therewith, and to pay certain costs of creation and administration of the District under and in strict conformity with the Constitution and laws of the State of Texas.

The Bonds will bear interest from October 1, 2014 and will mature on September 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 March 1, 2015 and each September 1 and March 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the "Paying Agent").

**Redemption**

**Optional Redemption** . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2021, in whole or from time to time in part, on September 1, 2020, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

**Mandatory Sinking Fund Redemption** . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2037 and September 1, 2039 are subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

<b>\$515,000 Term Bond Maturing September 1, 2037*</b>		
Mandatory Redemption	Principal	
<u>Date</u>	<u>Amount</u>	
2028	\$	5,000
2029		5,000
2030		5,000
2031		5,000
2032		5,000
2033		5,000
2034		5,000
2035		5,000
2036		230,000
2037*		245,000

<b>\$520,000 Term Bond Maturing September 1, 2039*</b>		
Mandatory Redemption	Principal	
<u>Date</u>	<u>Amount</u>	
2038		255,000
2039*		265,000

\* Stated Maturity

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

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

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

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

#### **DTC Redemption Provision**

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

## **Termination of Book-Entry-Only System**

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

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

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

## **Authority for Issuance**

At an election held within the District on November 5, 2002, voters within the District authorized a total of \$50,000,000 of unlimited tax bonds. The Bonds constitute the eighth installment of unlimited tax bonds issued by the District. After the sale of the Bonds, \$26,525,000 principal amount of District unlimited tax bonds will remain authorized but unissued. The Bonds are issued pursuant to the terms and provisions of the Bond Resolution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, the bond election approved by the voters, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by the TCEQ.

## **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 Resolution that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against 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 Bonds are obligations solely of the District and are not obligations of the City of Pflugerville, Texas; Travis County, Texas; the State of Texas; or any political subdivision or entity other than the District.

### **Payment Record**

The District has previously issued ten series of bonds including: Unlimited Tax Bonds, Series 2005; Unlimited Tax Bonds, Series 2006; Unlimited Tax Bonds, Series 2007; Unlimited Tax Bonds, Series 2008; Unlimited Tax Bonds, Series 2010; Unlimited Tax Refunding Bonds, Series 2011; Unlimited Tax Refunding Bonds, Series 2012; Unlimited Tax Bonds, Series 2012A; Unlimited Tax Refunding Bonds, Series 2012B; and Unlimited Tax Bonds, Series 2014 (collectively, the "Previously Issued Bonds"). The District has not defaulted on the payment of principal of or interest on such Previously Issued Bonds.

### **Flow of Funds**

The Bond Resolution affirms creation, establishment and maintenance by the District of a Capital Projects Fund and a Debt Service Fund for the Bonds. The Bond Resolution requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Initial Purchaser, the amount received from proceeds of the Bonds representing accrued and capitalized interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect to) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Resolution 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.

### **Defeasance of Outstanding Bonds**

**General** . . . The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Resolution 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 Resolution (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 Resolution 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 Resolution.

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 Resolution.

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, and (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.

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

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

such bond, 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.

#### **Paying Agent/Registrar**

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

Provision is made in the Bond Resolution 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 TCEQ and, in the case of bonds payable from taxes, the District's voters. On November 5, 2002, voters within the District authorized the issuance of unlimited tax bonds in the aggregate principal amount of \$50,000,000 for the purpose of constructing facilities to meet the needs of the residents and customers of the District. Following the issuance of the Bonds, \$26,525,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds."

To date, the Developer has advanced approximately \$20,163,000 for the engineering and construction of District facilities and the Developer has been reimbursed by the District for approximately \$17,903,000 of such advances, including reimbursement for the facilities being financed with proceeds of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS." According to the District's engineer, the \$26,525,000 in principal amount of bonds authorized but unissued remaining after the issuance of the Bonds should be sufficient to complete the development in the District. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes levied against property in the District. The District also has the right to issue revenue bonds and notes without voter approval.

According to the Developer, following the issuance of the Bonds, the District will remain obligated to reimburse the Developer additional amounts for the facilities serving the existing development within the District. The District expects to submit bond applications to the TCEQ for the sale of additional bonds (excluding the Bonds) to satisfy its obligation to pay the Developer for such facilities. The District intends to issue such bonds in approximately annual installments, subject to timely TCEQ approval.

#### **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.

### **Specific Tax Covenants**

In the Bond Resolution 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 Resolution 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 Resolution provides that, in addition to all other rights and remedies of any owner of Bonds provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution including payment when due of the principal of and interest on the Bonds, registered owners may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion.

The Bond Resolution provides no additional remedies to a registered owner. Specifically, the Bond Resolution does not provide for an appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year to year by the registered owners.

Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The registered owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the registered owners may be limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of political subdivisions. See "INVESTMENT CONSIDERATIONS - Bankruptcy Limitation to Registered Owners' Rights."

### **Annexation**

The District lies wholly within the extraterritorial jurisdiction of the City of Pflugerville, Texas (the "City"), except for approximately 20.83 acres which are within the city limits of the City. The City recently annexed two tracts of land that the City owned within the District consisting of a .37 acre tract where the City regional lift station is located and an 8.54 acre tract of City park land. The District consented to the annexation by the City of the 20.83 acres.

Under Texas law, the territory within the District may be annexed in whole, but not in part, by the City without the consent of the District. If annexation of the balance of the territory in the District by the City does occur, the District would be abolished within 90 days after annexation. When the District is abolished, the City must assume the assets, functions and obligations of the District including the Bonds. No representation is made concerning the likelihood of annexation or the ability of the City to make debt service payments should annexation occur.

### **Consolidation**

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



## **Alteration of Boundaries**

In certain circumstances under State law the District may, upon satisfying certain conditions, alter its boundaries to: 1) annex additional territory; and 2) exclude land subject to taxation within the District that is not served by District facilities if taxable land of equal or greater value is simultaneously annexed into the District so as not to impair the security for the District's bonds. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

## **Approval of the Bonds**

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

## **Amendments to the Bond Resolution**

The District may, without the consent of or notice to any registered owners, amend the Bond Resolution 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 Resolution, 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.*

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

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

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

accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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## USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the costs of the following projects: (i) partial funding of the construction costs for water distribution, wastewater collection, and drainage facilities serving Villages of Hidden Lake Phases 5B; and (ii) partial funding of the construction costs for water distribution, wastewater collection, and drainage facilities serving Villages of Hidden Lake Phases 5A.

In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twenty-four months' interest requirements on the Bonds; (ii) pay certain engineering costs; (iii) pay developer interest; and (iv) pay certain costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$729,126 is required for construction costs, and \$370,874 is required for non-construction costs, including \$85,961 of capitalized interest (approximately twenty-four months of interest at 3.907336%).

### Construction Costs

#### A. Developer Contribution Items

1. Villages of Hidden Lake Phase 5B - W, WW, & D	\$ 420,000
2. Villages of Hidden Lake Phase 5A - W, WW, & D	<u>412,000</u>
<b>Total Developer Contribution Items</b>	<b>\$ 832,000</b>

#### B. District Items

None

<b>Total District Items</b>	<b>\$ -</b>
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<b>Total Construction Costs</b>	<b>\$ 832,000</b>
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<i>Less Surplus Bond Proceeds from Unlimited Tax Bonds, Series 2010 Funds Applied</i>	<u>\$ (102,874)</u>
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<b>Net Construction Costs</b>	<b>\$ 729,126</b>
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### Non-Construction Costs

A. Legal fees (2.5%)	\$ 27,000
B. Fiscal Agent Fees (2.3%)	25,000
C. Interest Costs	
1 Capitalized Interest (24 months @ 3.907336%)	85,961
2 Developer Interest <sup>(a)</sup>	104,141
D. Bond Discount (2.68%)	29,561
E. Bond Issuance Expenses	35,383
F. Bond Application Report Costs	38,000
G. Attorney General Fee (0.10%)	1,100
H. TCEQ Bond Issuance Fee (0.25%)	2,750
I. Contingency <sup>(b)</sup>	<u>21,978</u>
<b>Total Non-Construction Costs</b>	<b>\$ 370,874</b>

<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b><u>\$ 1,100,000</u></b>
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(a) Preliminary; subject to change. The amount of Developer Interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

(b) The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond funds.

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and are not obligations of the State; Travis County, Texas; the City; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS – Source of and Security for Payment”. The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “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 and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

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

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

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

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

*Developer Pending Lawsuit:* Buffington VoHL 5A, 6A, 6B, Ltd. (“VoHL”), an entity related to the Developer that previously developed land within the District and currently owns the remaining property within the District (approximately 31 acres) and Buffington Land Management, LLC (“Buffington Land”), the general partner of the Developer, are both defendants in a pending lawsuit with Lennar Homes of Texas Land and Construction, Ltd. and Lennar Texas Holding Company (collectively, “Lennar”). Lennar brought suit against other entities related to the Developer and VoHL and Buffington Land on June 30, 2014 regarding payment due to Lennar on May 15, 2014 under an Assignment and Assumption Agreement whereby VoHL and Buffington Land were parties to such agreement. Pursuant to the agreement, such payment is secured by a deed of trust on the remaining property within the District to be developed as Villages of Hidden Lake, Phase 6-A2 and Phase 6B-3. According to the Developer, the parties are working to resolve all disputes, but no assurances can be made with respect to the outcome of such litigation and whether it would have any impact on development of the remaining property within the District. See “THE DISTRICT- Historical and Current Status of Development.”

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of the District property owners to pay their taxes. The 2013 Certified Assessed Valuation is \$170,498,606 (see “FINANCIAL STATEMENT”). After issuance of the Bonds the Maximum Requirement will be \$1,552,934 (2028) and the Average Requirement will be \$1,496,834 (2015 through 2031). Based upon the 2013 Certified Assessed Valuation of \$170,498,606, a tax rate of \$0.96/\$100 assessed valuation, at a 95% collection rate, would be necessary to pay the Maximum Requirement of \$1,552,934, and a tax rate of \$0.93/\$100 assessed valuation at a 95% collection rate would be necessary to pay the Average Requirement of \$1,496,834. The District’s 2014 Certified Assessed Valuation is \$199,840,062. Based upon the assumptions above, a tax rate of \$0.82/\$100 assessed valuation, at a 95% collection and a tax rate of \$0.79/\$100 assessed valuation, at a 95% collection 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.”

## **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 Resolution 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.

## **Bond Insurance Risks**

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

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

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

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

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

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

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

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

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

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

A district may not be forced into bankruptcy involuntarily.

### **The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District**

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

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

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

### **Marketability**

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

secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

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

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

### **Future Debt**

The District has reserved in the Bond Resolution the right to issue the remaining \$26,525,000 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. All of the remaining \$26,525,000 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. In the opinion of the District’s engineer, the remaining authorization should be sufficient to complete the development in the District. See “THE SYSTEM”.

The District anticipates that it may issue portions of its currently authorized but unissued bonds (up to the entire \$26,525,000 of remaining authorization), in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes levied against property in the District. The issuance of additional bonds is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

According to the Developer, the District remains obligated to reimburse the Developer approximately \$2,260,000 for the facilities serving the existing development within the District after the issuance of the Bonds. The District expects to submit bond applications to the TCEQ for the sale of additional bonds to satisfy its obligation to pay the Developer for such facilities. The District intends to issue such bonds in approximately annual installments, subject to timely TCEQ approval. See “THE BONDS –Issuance of Additional Debt” and “Table 5 – Unlimited Tax Bonds Authorized But Unissued.”

### **Environmental Regulations**

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

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

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

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

The EPA signed a consent decree with several environmental organizations which bound the EPA to designating nonattainment areas for 8-hour nonattainment. The Austin Area took early action with an EAC on November 17, 2004 to reduce its emissions so as not to be designated

nonattainment. Voluntary reductions have focused on reducing the number of vehicles on Austin Area roads, since vehicles are the area's main source of air pollution.

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

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

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

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a City. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. Pursuant to the Federal Clean Water Act and EPA Stormwater regulations, the District is defined as a MS4 (Municipal Separate Storm Sewer System). Because the District is located in an Urbanized Area as defined by the EPA, it has applied to obtain coverage under the Texas General Permit #TXR040000 (the "Permit"). In order to obtain coverage under the Permit, the District must develop a Stormwater Management Program. The Stormwater Management Program must include certain Minimum Control Measures as outlined in the Permit. These include pollution prevention and good housekeeping for facility operations, construction site runoff controls, post construction control measures, illicit discharge detection and elimination, and public education. For each Minimum Control Measure, the District must utilize one or more Best Management Practices to achieve minimal compliance as outlined in the Permit. Once the District has obtained TCEQ approval of the Stormwater Management Program and coverage under the Permit, the District must report progress under the Permit annually to TCEQ. The District submitted its application for Permit coverage in June 2014. The District could incur substantial costs to implement the Stormwater Management Program as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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

#### **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 extreme drought conditions. The City provides water service to residents in the District in amounts sufficient to service the residents of the District, however, as drought conditions continue water usage and rates could be impacted.

## **Tax Exempt Property – Strategic Housing Finance Corporation of Travis County**

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

## **No Requirement to Build on Developed Lots**

Currently, there is no requirement that builders owning developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

## **Forward-Looking Statements**

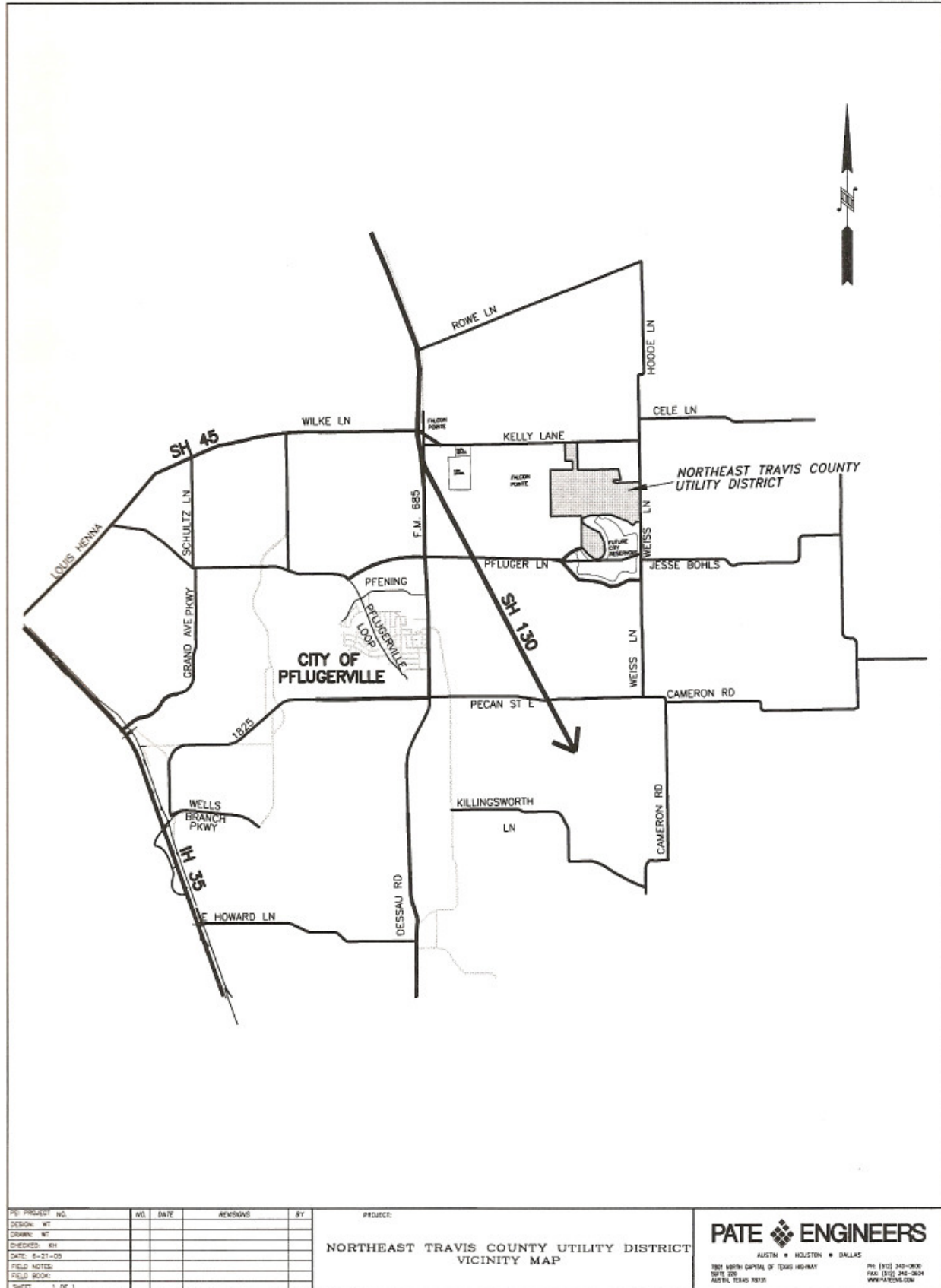
The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future.

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, 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 will prove to be accurate.

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# LOCATION MAP



NO.	DATE	REVISIONS	BY
DESIGN: WT			
DRAWN: WT			
CHECKED: KH			
DATE: 8-21-03			
FIELD NOTES:			
FIELD BOOK:			
SHEET: 1 OF 1			

PROJECT: NORTHEAST TRAVIS COUNTY UTILITY DISTRICT VICINITY MAP

**PATE ENGINEERS**  
 AUSTIN • HOUSTON • DALLAS  
 7801 NORTH CAPITAL OF TEXAS HIGHWAY  
 SUITE 200  
 AUSTIN, TEXAS 78726  
 PH: (512) 342-0000  
 FAX: (512) 342-0004  
 WWW.PATEENGINEERS.COM

## THE DISTRICT

### General

The District was created by special act of the Texas Legislature, Chapter 966 Sections 3.1601 to 3.1614 of the 77<sup>th</sup> Regular Session of the Texas Legislature, effective September 1, 2001 (the "Act"). Creation of the District was confirmed by the voters of the District at an election held on November 5, 2002. The District currently operates under the Act and Chapters 49 and 54 of the Texas Water Code and is subject to Article XVI, Section 59, of the Texas Constitution. The District is subject to the continuing supervision of TCEQ. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ. The District is located within the exclusive extraterritorial jurisdiction of the City of Pflugerville, except for approximately 20.83 acres within the city limits of the City.

### 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 in May in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
John Wilder	President	12 Years	2018
K.C. Willis	Vice-President	12 Years	2018
Rhiannon Oxos	Secretary	2 Years	2016
John Pfluger	Assistant-Secretary	12 Years	2016
James Driscoll	Assistant-Secretary	10 Years	2018

#### *Consultants*

#### **Tax Assessor/Collector**

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

#### **Operator**

The water and wastewater systems serving the District's residents are leased, owned and operated by the City. The District operates its storm water facilities.

#### **Engineer**

The District's consulting engineer is Jones-Heroy & Associates, Inc. (the "Engineer"). Such firm serves as consulting engineer to 22 other special districts.

#### **Auditor**

The District's financial statements for the fiscal year ended September 30, 2013 were prepared by Maxwell, Locke & Ritter LLP ("MLR"), Certified Public Accountants. MLR serves as auditor to 35 other special districts. See "Appendix A" for a copy of the District's Audited Financial Statements as of September 30, 2013.

#### **Bookkeeper**

Blakeslee, Monzingo & Co., certified public accountants, serves as bookkeeper to the District, as well as to 11 other special districts.

#### **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 Freeman & Corbett, Austin, Texas, as 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 Freeman & Corbett, Austin, Texas, as General Counsel.

### **Special Tax Counsel**

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

### **Location**

The District lies wholly within the extraterritorial jurisdiction of the City, except for approximately 20.83 acres which are within the city limits of the City, and entirely within Travis County, Texas. The District is situated approximately three miles northeast of downtown Pflugerville, one mile east of FM 685 and State Highway 130, and is bounded on the northeast by Kelly Lane and on the southeast by Weiss Lane. The District currently encompasses approximately 373 acres.

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

The District was created by the Act effective September 1, 2001. The District's creation was confirmed pursuant to an election held within the District on November 5, 2002. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, and Article XVI, Section 59 of the Texas Constitution, as amended. The District's current boundaries cover approximately 372.73 acres.

The Act authorized the creation of a utility district covering approximately 718.315 acres. Prior to the District's confirmation at the November 5, 2002 election, approximately 364.723 acres were excluded from the area within the proposed district. As a result of the exclusion, the District covered approximately 353.592 acres (the "Original District Territory") at the time of the confirmation election. Following the confirmation election, approximately 20 acres (the "Lennar Tract") were added to the District pursuant to a petition of Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar"), as the owner of the annexed area. Thereafter, a portion of the Lennar Tract was annexed into the City.

In June 2002, Pflugerville East, L.L.C., a Texas limited liability company ("PELLC"), purchased the Original District Territory from the original owner. PELLC was owned and controlled by Rhett Dawson. Concurrently with its purchase of the Original District Territory, PELLC conveyed approximately 59.04 acres to Lennar for development as Phase 1 of Villages of Hidden Lake, a residential subdivision within the District.

PELLC conveyed the remaining approximately 314 acres within the District to Len-Buf / Hidden Lake 2-JV, Ltd., a Texas limited partnership ("LEN-BUF"), a single purpose entity created for the purpose of acquiring and developing land within the District. LEN-BUF was formed in June 2003 by Lennar Texas Holding Company, a Texas corporation, and Buffington Hidden Lakes, Ltd., a Texas corporation, as general partners, and Lennar and Buffington Hidden Lakes Ltd., a Texas limited partnership, as limited partners. PELLC's conveyance of the remaining land within the District to LEN-BUF was effected in installments, which began in June 2003 when approximately 64.84 acres of land within the District were acquired by LEN-BUF for development as Phase 2 of the Villages of Hidden Lake. In September 2003, LEN-BUF acquired the land within the District that is being developed as Phase 3. LEN-BUF acquired the area being developed as Phases 4, 5 and 6 in a series of transactions between June 2003 and April 2005.

Lennar commenced construction of utility facilities to serve Phase 1 of the Villages of Hidden Lake (consisting of approximately 54.47 acres, platted as 166 lots) in April 2003, and LEN-BUF began construction of utility facilities to serve Phase 2A of the Villages of Hidden Lake (consisting of approximately 27.82 acres, platted as 99 lots) in January 2004. Construction of utility facilities in Phase 1 was completed in October 2003 and such facilities were completed in Phase 2A in July 2004.

LEN-BUF began construction of utility facilities to serve Phase 2B of the Villages of Hidden Lake (consisting of approximately 24.53 acres, platted as 99 lots) in March 2004 and construction of utility facilities in Phase 2B was completed in September 2004. In March 2005, LEN-BUF began construction of utility facilities to serve Phase 3A of the Villages of Hidden Lake (consisting of approximately 49.04 acres, platted as 161 single family lots), which were complete in August 2005. Construction of utility facilities to serve Phase 3B of the Villages of Hidden Lake (consisting of approximately 28.48 acres, platted as 122 single family lots) began in July 2005 and was completed in December 2005. Construction of utility facilities to serve Phase 4B of the Villages of Hidden Lake (consisting of approximately 18.66 acres, platted as 80 single family lots) began in December 2005 and was completed in May 2006. Construction of utility facilities for Phase 4A of the Villages of Hidden Lake (consisting of approximately 20.33 acres, platted as 64 single family lots), began in March 2006 and was completed in August 2006. Construction of utility facilities for Phase 4C of the Villages of Hidden Lake (consisting of approximately 15.69 acres, platted as 69 single family lots), began in July 2006 and was completed in December 2006. Construction of utility facilities for Phase 5B of the Villages of Hidden

Lake (consisting of approximately 26.31 acres, platted as 119 single family lots), began in July 2006 and was completed in December 2006. Construction of utility facilities for Phase 5A of the Villages of Hidden Lake (consisting of approximately 24.42 acres, platted as 86 single family lots), began in July 2008 and was completed in November 2008. Construction of utility facilities for Phase 6B-1 of the Villages of Hidden Lake (consisting of approximately 3.01 acres, platted as 12 single family lots), began in November 2011 and was completed in February 2012. Construction of utility facilities for Phase 6B-2 of the Villages of Hidden Lake (consisting of approximately 13.79 acres, platted as 49 single family lots), began in July 2013 and was completed in November 2013. Construction of utility facilities serving Phase 6A-1 of the Villages of Hidden Lake (consisting of approximately 11.06 acres, platted as 45 single family lots), began in May 2014 and is expected to be completed by September 2014.

On May 30, 2008, Lennar and Lennar Texas Holding Company sold and assigned all of their respective interests in LEN-BUF to Buffington Hidden Lakes Ltd., pursuant to an Assignment and Assumption Agreement and, as a result of such sale and assignment, Lennar ceased new development activity within the District. Lennar built homes on and sold all 725 single family residential lots they owned prior to the sale and assignment of its interest in LEN-BUF and has no plans to purchase any additional lots. Subsequently, Buffington Hidden Lakes Ltd. (together with several other real estate development entities) was merged into Buffington Land, Ltd. In January 2013, Buffington Land, Ltd. transferred ownership of the remaining land in the District to Buffington VoHL 5A, 6A, 6B, Ltd. (VoHL), whose general partner is Buffington Land Management, LLC. VoHL developed lots in Phases 4C, 5A and 5B, and then transferred ownership of Phase 6A-1 to a newly created entity, BLD VoHL 6A-1, LLC, and has transferred the land to be developed as Phase 6B-2 to another newly created entity, BLD VoHL 6B-2, LLC, both Texas limited liability companies whose sole member is Buffington Land Development, LLC. VoHL owns the remaining land in the District, but plans on creating additional limited liability companies to transfer the land to upon development of such phase within the District. The Buffington entities are collectively referred to as the "Developer." See "THE DEVELOPER – Description of the Developer."

VoHL and Buffington Land Management, LLC, the general partner of the current developer in the District, are named as defendants in a pending lawsuit regarding the Assignment and Assumption Agreement ("the Agreement"). The Agreement included payments due to Lennar secured by a deed of trust pledging real property, including the remaining property within the District to be developed as Villages of Hidden Lake, Phase 6-A2 and Phase 6B-3. The Agreement between Lennar and what is now Buffington Land Management, LLC and Buffington Land, Ltd. (the "Buffington Entities") was modified and a final payment of \$2,000,000 plus accrued interest was due to Lennar on May 15, 2014. The Buffington Entities defaulted on the payment due May 15, 2014, and Lennar brought a lawsuit against the Buffington Entities, including VoHL, on June 30, 2014. According to the Developer, the Buffington Entities have filed an answer with counterclaims against Lennar and the parties are working to resolve all disputes. No assurances can be made whether the disputes will be resolved or what the outcome will be with respect to the pending litigation. Additionally, since the lawsuit is respect to payment owed that is secured by the remaining developable property within the District, this could lead to foreclosure of property subject to the liens.

As of July 1, 2014 the District contains 1,126 developed single family lots, which include 1,052 completed homes, 12 homes under construction and 62 vacant lots. Additionally, construction of utility facilities serving Phase 6A-1 of the Villages of Hidden Lake (consisting of approximately 11.06 acres, platted as 45 single family lots), began in May 2014 and is expected to be completed by September 2014.

The homebuilders currently active within the District are Texas Classic Homes ("Texas Classic") and Megatel Homes ("Megatel"). The Developer has represented that the sales price of homes being constructed generally range from approximately \$160,000 to \$320,000, with square footage ranging from approximately 1,412 to 4,583.

The remaining approximate 31.00 undeveloped acres are expected to be developed as Phase 6A-2 (approximately 11.98 acres; expected to be platted as 45 single family lots), Phase 6B-3 (approximately 13.65 acres; expected to be platted as 68 single family lots), as well as approximately 5.37 acres expected to be developed as commercial tracts within the District. See "THE DEVELOPER – Description of the Developer."

The District also includes an amenity center encompassing approximately 2.14 acres, which includes a Junior Olympic pool, a pool house, a sport court and a playscape, along with a portion of a hike and bike trail connecting the development with the adjacent City Park and Recreational Lake.

### **Comprehensive Development Agreement**

The District, the Developer in the District (or its made successor's in interest) and the City have entered into a Comprehensive Development Agreement, dated June 28, 2001, as amended (the "Comprehensive Development Agreement"). Pursuant to the Comprehensive Development Agreement, the City consented to the creation of the District. The Developer, the District and the City further agreed in the Comprehensive Development Agreement that the water and wastewater facilities constructed by the Developer on behalf of the District to serve residents in the District would be sold to the District from time to time as the District can issue and sell its bonds to pay for same, as approved by the TCEQ. Prior to sale of the water and wastewater facilities to the District, the Developer agrees to lease the same to the City for maintenance and operation by the City. After purchase of the facilities by the District, the District agrees to transfer the same to the City for maintenance and operation by the City. The City further agrees to use the water and wastewater facilities leased or transferred to it to provide retail water and wastewater service to residents in the District at inside-city rates. See "THE SYSTEM – Water Supply and Distribution."

## Single Family Development

The chart below reflects the status of single family development as of July 1, 2014:

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Single Family Developed with Utility Facilities</b>					
Villages of Hidden Lake, Phase 1	54.47	166	166	-	-
Villages of Hidden Lake, Phase 2A	27.82	99	99	-	-
Villages of Hidden Lake, Phase 2B	24.53	99	99	-	-
Villages of Hidden Lake, Phase 3A	49.04	161	161	-	-
Villages of Hidden Lake, Phase 3B	28.48	122	122	-	-
Villages of Hidden Lake, Phase 4A	20.33	64	64	-	-
Villages of Hidden Lake, Phase 4B	18.66	80	80	-	-
Villages of Hidden Lake, Phase 4C	15.69	69	67	-	2
Villages of Hidden Lake, Phase 5A	24.42	86	82	3	1
Villages of Hidden Lake, Phase 5B	26.31	119	108	4	7
Villages of Hidden Lake, Phase 6B-1	3.01	12	4	4	4
Villages of Hidden Lake, Phase 6B-2	13.79	49	-	1	48
Total Single Family Developed with Utilities	306.55	1,126	1,052	12	62
<b>B. Single Family Sections Currently Under Construction</b>					
Villages of Hidden Lake, Phase 6A-1	11.06	45	-	-	45
Total Single Family Lots Under Construction	11.06	45	-	-	45
<b>C. Total Developed or Under Construction</b>	<b>317.61</b>	<b>1,171</b>	<b>1,052</b>	<b>12</b>	<b>107</b>
<b>D. Remaining Developable Acreage</b>					
Commercial - Kelly Lane Tracts	5.37				
Villages of Hidden Lake, Phase 6A-2	11.98				
Villages of Hidden Lake, Phase 6B-3	13.65				
Total Remaining Developable Acreage	31.00				
<b>E. Undevelopable Acreage</b>					
Drainage Facilities/Floodplain	3.74				
Recreational Facilities	2.14				
Parkland/Open Space	18.24				
Total Undevelopable Acreage	24.12				
<b>Total District Acreage</b>	<b>372.73</b>				

## Future Development

The remaining undeveloped but developable 31.00 acres is expected to be developed as future residential sections of Villages of Hidden Lake (Phases 6A-2 and 6B-3, consisting of approximately 25.63 acres) and as commercial tracts (approximately 5.37 acres). 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 any party's ability to sell lots and/or other property and of any home builder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." Additionally, a lawsuit is currently pending against entities associated with the development of the District that could impact the development of the remaining developable acreage within the District. See "INVESTMENT CONSIDERATIONS- Factors Affecting Taxable Values and Tax Payments-Developer Pending Lawsuit" and "THE DISTRICT- Historical and Current Status of Development." If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ. The District's Engineer estimates that the \$26,525,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued should be sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. See "THE BONDS – Issuance of Additional Debt." The Developer is under no obligation to

complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

## **Annexation of the District**

The District lies wholly within the extraterritorial jurisdiction of the City, except for approximately 20.83 acres which are located within the city limits of the City. The City recently annexed two tracts of land that the City owned within the District consisting of a .37 acre tract where the City regional lift station is located and an 8.54 acre tract of City park land. See “THE BONDS – Annexation” for a discussion of the ability of the City to annex the District.

## **THE DEVELOPER**

### **Role of a Developer**

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

### **Description of the Developer**

The current developer of the District is Buffington Land, Ltd., a Texas limited partnership (“Buffington Land” or the “Developer”), whose general partner is Buffington Land Management, LLC, a Texas limited liability company. Buffington Land is a development entity that serves the purpose of acquiring and developing land within the District. The current development entities within the District are BLD VoHL 6A-1, LLC (“BLD 6A-1”) and BLD VoHL 6B-2, LLC (“BLD 6B-2”), both Texas limited liability companies whose sole member is Buffington Land Development, LLC. Buffington Land, Ltd. and Buffington VoHL 5A, 6A, 6B, Ltd. (“VoHL”) previously developed land within the District and VoHL currently owns the remaining property within the District. VoHL and Buffington Land Management, LLC are both named as defendant in a pending lawsuit brought by Lennar on June 30, 2014 alleging default of payment owed by the Buffington Entities on May 15, 2014 pursuant to an Assignment and Assumption Agreement. Such Agreement is secured by a deed of trust on property owned by VoHL, which is the remaining developable property within the District to be developed as Villages of Hidden Lake, Phase 6A-2 and Phase 6B-3. See “INVESTMENT CONSIDERATIONS- Factors Affecting Taxable Values and Tax Payments- Developer Pending Lawsuit” and “THE DISTRICT- Historical and Current Status of Development.” The Buffington entities that are currently developing and have previously developed the property within the District are collectively referred to herein as the “Developer.” The Developer intends on transferring the property to newly created related entities to develop the remaining phases within the District.

### **Acquisition and Development Financing**

Phase 1 of the Villages of Hidden Lake: Lennar obtained financing for the acquisition and development of Phase 1 of the Villages of Hidden Lake from its own corporate funds and funds provided by entities related to and controlled by Lennar.

Phases 2 through 4 and 5B of the Villages of Hidden Lake: In connection with the assignment and merger transactions that resulted in the change in ownership of LEN-BUF (see “THE DISTRICT- Historical and Current Status of Development”), the Developer obtained a revolving line of credit from RBC Building Finance to refinance an existing acquisition and development loan which provided financing and refinancing for the acquisition of land within the District and development of Phases 2, 3, 4 and 5B. According to the Developer, the line of credit has been repaid and there are no development liens against this property.

#### Phase 5A of the Villages of Hidden Lake

The Developer obtained an acquisition and development loan from United Development Funding IV, a Maryland REIT, (the “UDF Loan”) in the amount of \$4,500,000 to provide financing for the development of Phase 5A. Pursuant to the terms of the UDF Loan, the Developer expects to repay the UDF Loan with funds derived from proceeds of lots sales and reimbursements received from the District bond proceeds. The UDF Loan is secured by a first lien against the financed property in the District and payments of interest are due monthly. As of June 30, 2014, the Developer indicated that the principal balance due under the UDF Loan was \$3,464,484. According to the Developer, it is in compliance with the terms of the UDF Loan.

#### Phase 6B-1 of the Villages of Hidden Lake

The Developer obtained an acquisition and development loan from United Development Funding IV, a Maryland REIT, (the “UDF Loan”) in the amount of \$18,000,000 to provide financing for the development of Phase 6B-1 and refinancing of prior acquisition and development loans

associated with previous phases of development within the District. Pursuant to the terms of the UDF Loan, the Developer expects to repay the UDF Loan with funds derived from proceeds of lots sales and reimbursements received from the District bond proceeds. The UDF Loan is secured by a first lien against the financed property in the District and payments of interest are due monthly. As of June 30, 2014, the Developer indicated that the principal balance due under the UDF Loan was \$11,585,380. According to the Developer, it is in compliance with the terms of the UDF Loan.

#### Phase 6B-2 of the Villages of Hidden Lake

The Developer obtained an acquisition and development loan from United Development Funding IV, a Maryland REIT, (the “UDF Loan”) in the amount of \$3,377,000 to provide financing for the development of Phase 6B-2. Pursuant to the terms of the UDF Loan, the Developer expects to repay the UDF Loan with funds derived from proceeds of lots sales and reimbursements received from the District bond proceeds. The UDF Loan is secured by a first lien against the financed property in the District and payments of interest are due monthly. As of June 30, 2014, the Developer indicated that the principal balance due under the UDF Loan was \$2,040,724. According to the Developer, it is in compliance with the terms of the UDF Loan.

#### Phase 6A-1 of the Villages of Hidden Lake

The Developer obtained an acquisition and development loan from United Development Funding IV, a Maryland REIT, (the “UDF Loan”) in the amount of \$2,934,000 to provide financing for the development of Phase 6A-1. Pursuant to the terms of the UDF Loan, the Developer expects to repay the UDF Loan with funds derived from proceeds of lots sales and reimbursements received from the District bond proceeds. The UDF Loan is secured by a first lien against the financed property in the District and payments of interest are due monthly. As of June 30, 2014, the Developer indicated that the principal balance due under the UDF Loan was \$1,305,792. According to the Developer, it is in compliance with the terms of the UDF Loan.

### **Homebuilders**

The homebuilders currently active within the District are Texas Classic and Megatel. The Developer has represented that the sales price of homes being constructed generally range from approximately \$160,000 to \$320,000, with square footage ranging from approximately 1,412 to 4,583.

Home construction in the District began in 2003. The following chart illustrates the number of homes built per year, starting in 2003.

<b>Calendar Year</b>	<b>No. of Single-Family Homes Constructed</b>
2003	42
2004	52
2005	205
2006	279
2007	104
2008	71
2009	85
2010	45
2011	51
2012	44
2013	42
2014	44*

\* Includes 32 completed single family homes and 12 single family homes under construction as of July 1, 2014.

## **THE SYSTEM**

### **Regulation**

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



Operation of the waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ.

### **Water Supply and Distribution**

After completion of construction and purchase of the water and wastewater facilities by the District from proceeds of its bonds, the District will transfer ownership of such facilities to the City for maintenance and operation by the City. Prior to acquisition of any constructed water and wastewater facilities by the District, completed but unpurchased facilities are leased to the City for operation and maintenance. The City has agreed to provide potable water to residents of the District. The City receives its water supply from three wells drilled in the Edwards Aquifer and through an interconnect with the City of Austin. In addition, the City has constructed a reservoir and a 23.16 million-gallon-per-day (“mgd”) surface water treatment plant located near the District where it stores and treats water pumped from the Colorado River under contract with the Lower Colorado River Authority. According to the Engineer, water supply to the District is sufficient to serve anticipated full build-out of the District.

### **Wastewater Collection and Treatment**

Pursuant to the Comprehensive Development Agreement dated June 28, 2001, as amended, the City agreed to provide wastewater service for the ultimate build out of the District. That portion of the City’s wastewater interceptor line, lift station and force main to serve the District have been completed and wastewater is being conveyed to the City’s Central Wastewater Treatment Plant (Permit No. 11845-002) for 5.30 MGD. The existing wastewater treatment facilities provide sufficient capacity to serve the anticipated full build-out of the District.

### **100-Year Flood Plain and Storm Drainage Information**

According to the Developer and the Engineer, no portions of the District that are being developed are currently in the official 100-year floodplain.

*[The remainder of this page intentionally left blank]*

## Water and Wastewater Operations – Table 1

### *Rate and Fee Schedule*

The City provides retail water and wastewater services to residents within the District at rates equal to the water and wastewater rates charged to City residents. The following rates, effective February 27, 2012, are charged by the City to District residents.

#### Water (monthly billings)

##### Residential:

In District Rates:

Monthly Base Charge

Meter Size

5/8" .....	\$ 13.68
3/4" .....	13.68
1" .....	22.84
1 1/2 " .....	45.11
2 " .....	72.85

#### Volume Charge for all meter sizes:

0-12,000 gallons .....	\$ 4.35 per 1,000 gallons
12,001–26,000 .....	4.61 per 1,000 gallons
26,001+ .....	4.73 per 1,000 gallons

#### Wastewater (monthly billings)

Monthly Base Charge

Meter Size

5/8" .....	\$ 23.50
3/4" .....	23.50
1" .....	54.51
1 1/2 " .....	26.99
2" .....	29.96

#### Volume Charge for all meter sizes:

.....	\$ 3.51 per 1,000 gallons
-------	---------------------------

Residential Customers – average water usage during the winter averaging period

Non-Residential Customers – based on monthly usage

#### Solid Waste

Monthly Charge (In-City) .....	\$ 15.60 plus applicable taxes
Monthly Charge (Out of City) .....	\$ 17.60 plus applicable taxes

#### Special Charges

Move existing customer's service from one location to another .....	\$25.00
Disconnect service for Nonpayment of Bill .....	25.00
Any customer account that is delinquent will incur a 10% per month penalty charge on all accrued and unpaid charges.	

#### Deposits

Solid Waste Only .....	\$25.00
Wastewater Only .....	50.00
Water Only .....	125.00
Any Combination .....	125.00

## 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.

	Fiscal Year End					
	8/31/2014 <sup>(a)</sup>	9/30/2013 <sup>(b)</sup>	9/30/2012 <sup>(b)</sup>	9/30/2011 <sup>(b)</sup>	9/30/2010 <sup>(b)</sup>	9/30/2009 <sup>(b)</sup>
<b>REVENUES</b>						
Property taxes, including penalties	\$ 266,660	\$ 174,877	\$ 203,850	\$ 326,552	\$ 395,303	\$ 215,086
Interest	-	444	1,655	2,367	862	6,412
Other	194	-	500	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 266,854</b>	<b>\$ 175,321</b>	<b>\$ 206,005</b>	<b>\$ 328,919</b>	<b>\$ 396,165</b>	<b>\$ 221,498</b>
<b>EXPENDITURES</b>						
Repairs and maintenance	\$ 9,593	\$ 10,465	\$ 12,138	\$ 13,323	\$ 12,220	\$ 25,676
Electricity	30,204	33,521	35,942	25,185	28,385	24,368
Legal Fees	20,717	17,781	22,829	16,458	9,338	16,717
Engineering Fees	8,281	9,950	28,389	3,700	3,059	17,126
Bookkeeping Fees	11,178	10,763	9,623	9,287	8,950	11,738
Audit Fees	16,500	17,000	16,500	16,500	16,000	17,986
Director Fees, including payroll tax	5,861	4,663	5,813	4,555	5,435	5,975
Insurance	2,115	1,899	1,799	2,100	1,965	2,340
Tax Appraisal/Collection Fees	8,041	1,057	1,067	1,985	2,333	1,373
Other	10,095	9,820	8,657	4,429	1,546	427
<b>TOTAL EXPENDITURES</b>	<b>\$ 122,585</b>	<b>\$ 116,919</b>	<b>\$ 142,757</b>	<b>\$ 97,522</b>	<b>\$ 89,231</b>	<b>\$ 123,726</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 144,269</b>	<b>\$ 58,402</b>	<b>\$ 63,248</b>	<b>\$ 231,397</b>	<b>\$ 306,934</b>	<b>\$ 97,772</b>
<b>Beginning Fund Balance</b>	<b>\$ 343,168</b>	<b>\$ 471,636</b>	<b>\$ 634,404</b>	<b>\$ 403,007</b>	<b>\$ 96,073</b>	<b>\$ 493,333</b>
<b>Less Developer Reimbursements</b>	-	(198,758) <sup>(c)</sup>	(226,016) <sup>(d)</sup>	-	-	(495,032) <sup>(e)</sup>
<b>Plus / (Less): Fund Transfers</b>	-	11,888	-	-	-	-
<b>Ending Fund Balance</b>	<b>\$ 487,437</b>	<b>\$ 343,168</b>	<b>\$ 471,636</b>	<b>\$ 634,404</b>	<b>\$ 403,007</b>	<b>\$ 96,073</b>

(a) Unaudited as of August 31, 2014. Represents 11 months of the District's current fiscal year.

(b) Audited.

(c) During fiscal year 2013, the District reimbursed the Developer for a portion of the water, wastewater and drainage facilities serving Villages of Hidden Lake, Phase 4C from funds in the General Operating Fund in the amount of \$198,758.

(d) During fiscal year 2012, the District reimbursed the Developer for a portion of the water, wastewater and drainage facilities serving Villages of Hidden Lake, Phases 4A and 4B, developer interest associated with those sections, and a portion of the Villages of Hidden Lake Fill Plan from funds in the General Operating Fund in the amount of \$226,016.

(e) During fiscal year 2009, the District reimbursed the Developer for a portion of the water, wastewater and drainage facilities serving Villages of Hidden Lake, Phase 3B and a portion of the wastewater impact fees serving Villages of Hidden Lake, Phase 5A from funds in the General Operating Fund in the amount of \$495,032.

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**DEBT SERVICE REQUIREMENTS - TABLE 3**  
**Northeast Travis County Utility District**  
**\$1,100,000**  
**Unlimited Tax Bonds, Series 2014A**  
**Dated Date: October 1, 2014**  
**First Interest Payment Due: March 1, 2015**

Year	Outstanding Bonds				The Bonds				Total	
Ending	Principal	Interest		Total	Principal	Interest		Total	Principal	Debt Service
31-Dec	Due (09/01)	Due (03/01)	Due (09/01)		(Due 9/01)	(Due 3/01)	(Due 9/01)		and Interest	Requirements
2015	\$ 745,000	\$ 342,469	\$ 342,469	\$ 1,429,938	\$ 5,000	\$ 17,729	\$ 21,275	\$ 39,004	\$ 44,004	\$ 1,473,942
2016	775,000	331,859	331,859	1,438,718	5,000	21,131	21,131	42,263	47,263	1,485,980
2017	480,000	477,059	477,059	1,434,118	5,000	20,988	20,988	41,975	46,975	1,481,093
2018	490,000	473,034	473,034	1,436,068	5,000	20,844	20,844	41,688	46,688	1,482,755
2019	830,000	308,671	308,671	1,447,343	5,000	20,700	20,700	41,400	46,400	1,493,743
2020	880,000	296,246	296,246	1,472,493	5,000	20,556	20,556	41,113	46,113	1,518,605
2021	890,000	282,656	282,656	1,455,311	5,000	20,413	20,413	40,825	45,825	1,501,136
2022	930,000	268,865	268,865	1,467,730	5,000	20,269	20,269	40,538	45,538	1,513,268
2023	970,000	252,338	252,338	1,474,676	5,000	20,125	20,125	40,250	45,250	1,519,926
2024	1,015,000	234,398	234,398	1,483,796	5,000	19,981	19,981	39,963	44,963	1,528,759
2025	1,050,000	215,551	215,551	1,481,103	5,000	19,838	19,838	39,675	44,675	1,525,778
2026	1,085,000	196,064	196,064	1,477,128	5,000	19,694	19,694	39,388	44,388	1,521,515
2027	855,000	310,842	310,842	1,476,684	5,000	19,550	19,550	39,100	44,100	1,520,784
2028	920,000	294,561	294,561	1,509,121	5,000	19,406	19,406	38,813	43,813	1,552,934
2029	960,000	274,448	274,448	1,508,895	5,000	19,313	19,313	38,625	43,625	1,552,520
2030	1,255,000	123,096	123,096	1,501,191	5,000	19,219	19,219	38,438	43,438	1,544,629
2031	990,000	97,780	97,780	1,185,560	5,000	19,125	19,125	38,250	43,250	1,228,810
2032	715,000	78,160	78,160	871,320	5,000	19,031	19,031	38,063	43,063	914,383
2033	435,000	64,388	64,388	563,775	5,000	18,938	18,938	37,875	42,875	606,650
2034	500,000	55,125	55,125	610,250	5,000	18,844	18,844	37,688	42,688	652,938
2035	625,000	44,625	44,625	714,250	5,000	18,750	18,750	37,500	42,500	756,750
2036	600,000	31,453	31,453	662,906	230,000	18,656	18,656	37,313	267,313	930,219
2037	670,000	19,328	19,328	708,656	245,000	14,344	14,344	28,688	273,688	982,344
2038	250,000	5,781	5,781	261,563	255,000	9,750	9,750	19,500	274,500	536,063
2039	-	-	-	-	265,000	4,969	4,969	9,938	274,938	274,938
	<b><u>\$18,915,000</u></b>	<b><u>\$ 5,078,795</u></b>	<b><u>\$ 5,078,795</u></b>	<b><u>\$ 29,072,590</u></b>	<b><u>\$ 1,100,000</u></b>	<b><u>\$ 462,160</u></b>	<b><u>\$ 465,706</u></b>	<b><u>\$ 927,867</u></b>	<b><u>\$ 2,027,867</u></b>	<b><u>\$ 31,100,457</u></b>

**FINANCIAL STATEMENT**  
(Unaudited as of September 1, 2014)

**Assessed Value – Table 4**

2013 Certified Assessed Valuation		\$170,498,606	(a)
2014 Certified Assessed Valuation		\$199,840,062	(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 20,015,000	(c)
Ratio of Gross Debt to 2013 Certified Assessed Valuation		11.74%	
Ratio of Gross Debt to 2014 Certified Assessed Valuation		10.02%	
2013 Tax Rate			
	Debt Service	\$ 0.7409	
	Maintenance	0.1584	
	<b>Total 2013 Tax Rate</b>	<u>\$ 0.8993</u>	(d)
Projected 2014 Tax Rate			
	Debt Service	\$ 0.6973	
	Maintenance	0.1787	
	<b>Total Projected 2014 Tax Rate</b>	<u>\$ 0.8760</u>	(d)
Debt Service Fund Balance (as of September 9, 2014)		\$ 594,110	(e)

Area of District: 373 acres  
Estimated Population as of July 1, 2014: 3,675<sup>(f)</sup>

- (a) Assessed valuation of the District as of January 1, 2013, certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Certified assessed valuation of the District as of January 1, 2014, as provided by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds.
- (d) The District levied 2013 tax rate of \$0.8993 and expects to levy a 2014 tax rate of \$0.8760 on September 29, 2014.
- (e) Unaudited as of September 9, 2014. Does not include approximately twenty-four months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the Debt Service Fund.
- (f) Based upon 3.5 residents per occupied single family home.

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

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/5/2002	Water, Sanitary Sewer and Drainage	\$ 50,000,000	\$ 23,475,000 <sup>(a)</sup>	\$ 26,525,000
<b>Total</b>		<b>\$ 50,000,000</b>	<b>\$ 23,475,000</b>	<b>\$ 26,525,000</b>

- (a) Includes the Bonds.

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**Outstanding Bonds - Table 6**

<b>Dated Date</b>	<b>Purpose</b>	<b>Original Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding after the Issuance of the Bonds</b>
<b>A. New Money Bonds</b>				
08/01/05	Water, Sanitary Sewer & Drainage	2005	\$ 4,500,000	\$ -
07/01/06	Water, Sanitary Sewer & Drainage	2006	4,500,000	-
06/01/07	Water, Sanitary Sewer & Drainage	2007	4,500,000	130,000
09/01/08	Water, Sanitary Sewer & Drainage	2008	4,350,000	245,000
11/01/10	Water, Sanitary Sewer & Drainage	2010	2,000,000	1,850,000
10/01/12	Water, Sanitary Sewer & Drainage	2012A	1,500,000	1,490,000
02/01/14	Water, Sanitary Sewer & Drainage	2014	1,025,000	1,020,000
10/01/14	Water, Sanitary Sewer & Drainage	2014A	1,100,000	1,100,000 <sup>(a)</sup>
<b>Subtotal</b>			<b>\$ 23,475,000</b>	<b>\$ 5,835,000</b>
<b>B. Refunding Bonds</b>				
10/01/11	Refunding	2011	\$ 7,660,000	\$ 7,355,000
03/01/12	Refunding	2012	1,805,000	1,705,000
12/01/12	Refunding	2012B	5,300,000	5,120,000
<b>Subtotal</b>			<b>\$ 14,765,000</b>	<b>\$ 14,180,000</b>
<b>Total</b>			<b>\$ 38,240,000</b>	<b>\$ 20,015,000</b>

(a) The Bonds.

**Cash and Investment Balances (Unaudited as of September 9, 2014) - Table 7**

General Fund	\$ 454,662
Debt Service Fund	594,110 (a)
Capital Projects Fund	560,710

(a) Does not include approximately twenty-four months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Resolution 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 of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial

paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

## Current Investments - Table 8

The District, as of September 9, 2014, is invested in TexPool and Money Market Accounts. 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 September 9, 2014	
Cash	\$ 13,878
Money Market	938,753
TexPool	656,851
<b>Total Investments</b>	<b>\$ 1,609,482</b>

## Estimated Overlapping Debt Statement

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

Taxing Body <sup>(a)</sup>	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	\$ 605,044,593	8/1/2014	0.158%	\$ 957,634
Travis County Emergency Services District No. 2	-	8/1/2014	2.685%	-
Travis County Healthcare District	15,070,000	8/1/2014	0.158%	23,829
Pflugerville Independent School District	296,207,413	8/1/2014	2.297%	6,804,010
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 7,785,472</b>
The District <sup>(b)</sup>	\$ 20,015,000	10/1/2014	100.00%	\$ 20,015,000
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b>\$ 27,800,472</b>
<b>Ratio of Estimated and Overlapping Debt to 2013 Certified Assessed Valuation</b>				<b>16.31%</b>
<b>Ratio of Estimated and Overlapping Debt to 2014 Certified Assessed Valuation</b>				<b>13.91%</b>

(a) Pflugerville city limits overlaps 20.83 acres of land owned by the City that is within the District and is not subject to taxation. See "THE DISTRICT."

(b) Includes the Bonds.



## Overlapping Taxes for 2013

Overlapping Entity <sup>(a)</sup>	2013 Tax Rate Per	
	\$100 Assessed Valuation Travis County	Average Tax Bill <sup>(b)</sup> Travis County
Travis County	\$0.494600	\$ 854
Travis County Emergency Services District No. 2	0.100000	173
Travis County Healthcare District	0.129000	223
Pflugerville Independent School District	1.540000	2,658
The District	0.899300	1,552
<b>Total</b>	<b><u>\$3.162900</u></b>	<b><u>\$ 5,459</u></b>

- (a) Pflugerville city limits overlaps 20.83 acres of land owned by the City that is within the District and is not subject to taxation.
- (b) Based upon the 2013 average single-family home value of \$172,590 as provided by TCAD. The District's 2014 average single-family value is \$191,564, as provided by TCAD. The District and overlapping jurisdictions are currently in the process of levying their 2014 tax rates. The District expects to levy a 2014 total tax rate of \$0.8760 on September 29, 2014.

## TAX DATA

### Classification of Assessed Valuation - Table 9

Type Property	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 194,201,270	98.11%	\$ 168,621,330	97.40%	\$ 150,971,986	95.96%
Vacant Lot	304,800	0.15%	309,300	0.18%	242,125	0.15%
Qualified Ag Land	-	0.00%	170,955	0.10%	173,979	0.11%
Acreage (Non-Ag)	13,037	0.01%	125,403	0.07%	160,372	0.10%
Commercial Personal Property	121,406	0.06%	143,032	0.08%	167,728	0.11%
Residential Inventory	2,550,020	1.29%	3,477,919	2.01%	4,545,577	2.89%
Exempt Property	749,429	0.38%	274,325	0.16%	1,074,162	0.68%
<b>Total</b>	<b><u>\$ 197,939,962</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 173,122,264</u></b>	<b><u>100.00%</u></b>	<b><u>\$ 157,335,929</u></b>	<b><u>100.00%</u></b>

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## 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.

Year	Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2003	\$ 446,442	\$ 0.9300	\$ 5,515	\$ 4,152	75.29%	\$ 5,486	99.47%	9/30/2004 <sup>(b)</sup>
2004	6,376,597	0.9300	59,302	59,302	100.00%	59,331	100.05%	9/30/2005 <sup>(b)</sup>
2005	37,166,060	0.9300	345,644	343,250	99.31%	343,250	99.31%	9/30/2006 <sup>(b)</sup>
2006	70,093,975	0.9300	633,173	613,907	96.96%	615,064	97.14%	9/30/2007 <sup>(b)</sup>
2007	121,416,738	0.8993	1,091,901	1,081,954	99.09%	1,099,702	100.71%	9/30/2008 <sup>(b)</sup>
2008	133,656,018	0.8993	1,201,938	1,185,890	98.66%	1,195,420	99.46%	9/30/2009 <sup>(b)</sup>
2009	153,062,365	0.8993	1,376,490	1,366,381	99.27%	1,369,828	99.52%	9/30/2010 <sup>(b)</sup>
2010	148,453,753	0.8993	1,334,877	1,312,477	98.32%	1,326,813	99.40%	9/30/2011 <sup>(b)</sup>
2011	154,524,873	0.8993	1,389,660	1,386,869	99.80%	1,408,743	101.37%	9/30/2012 <sup>(b)</sup>
2012	154,444,871	0.8993	1,390,472	1,387,382	99.78%	1,390,138	99.98%	9/30/2013 <sup>(b)</sup>
2013	170,498,606	0.8993	1,533,379	1,522,155	99.27%	1,525,444	99.48%	9/30/2014 <sup>(c)</sup>

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

(b) Audited.

(c) Unaudited as of July 31, 2014. Taxes were due January 31, 2014.

## District Tax Rates - Table 11

Tax Rates per \$100 Assessed Valuation									
	2014 <sup>(a)</sup>	2013	2012	2011	2010	2009	2008	2007	2006
<b>Debt Service</b>	\$ 0.6973	\$ 0.7409	\$ 0.7867	\$ 0.7782	\$ 0.6831	\$ 0.6474	\$ 0.7398	\$ 0.6344	\$ 0.6046
<b>Maintenance</b>	0.1787	0.1584	0.1126	0.1211	0.2162	0.2519	0.1595	0.2649	0.3254
<b>Total</b>	<b>\$ 0.8760</b>	<b>\$ 0.8993</b>	<b>\$ 0.8993</b>	<b>\$ 0.8993</b>	<b>\$ 0.8993</b>	<b>\$ 0.8993</b>	<b>\$ 0.8993</b>	<b>\$ 0.8993</b>	<b>\$ 0.9300</b>

(a) Preliminary; subject to change. The District expects to levy a 2014 total tax rate of \$0.8760 on September 29, 2014.

### Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount.

### Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, 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, the Bonds, and any tax bonds which may be issued in the future. At an election held on November 5, 2002, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2013 maintenance and operations tax of \$0.1584/\$100 assessed valuation and expects to levy a 2014 maintenance and operations tax of \$0.1787/\$100 assessed valuation.

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## Principal Taxpayers - Table 12

The following list of principal taxpayers was provided in the District's audited financial statements based on the 2014, 2013, and 2012 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2014	2013	2012
BLD VOHL 6A-1 LLC <sup>(b)</sup>	Real Land and Improvements	\$ 1,350,000	\$ 801,090	(a)
Buffington VOHL 5A, 6A, 6B Ltd. <sup>(b) (c)</sup>	Real Land and Improvements	1,136,118	1,199,800	\$ 2,526,770
Buffington Texas Classic Homes, L.L.C. <sup>(b)</sup>	Real Land and Improvements	664,629	(a)	284,307
Megatel Homes II LLC	Real Land and Improvements	653,263	651,773	(a)
Buffington Texas Classic <sup>(b)</sup>	Real Land and Improvements	431,119	447,764	495,291
Individual Homeowner	Real Land and Improvements	399,910	324,894	315,194
Newjon Enterprises Family	Real Land and Improvements	385,289	341,403	320,488
AMH 2014-1 Borrower LLC	Real Land and Improvements	374,367	(a)	(a)
Luxe Blue LLC	Real Land and Improvements	364,975	321,774	(a)
Menott Management L.L.C.	Real Land and Improvements	350,728	(a)	285,912
PH SPMSL LP <sup>(b)</sup>	Real Land and Improvements	(a)	551,863	1,024,375
Individual Homeowner	Real Land and Improvements	(a)	323,237	275,787
Individual Homeowner	Real Land and Improvements	(a)	321,006	(a)
Individual Homeowner	Real Land and Improvements	(a)	(a)	293,739
Individual Homeowner	Real Land and Improvements	(a)	(a)	290,223
<b>Total</b>		<u>\$ 6,110,398</u>	<u>\$ 5,284,604</u>	<u>\$ 6,112,086</u>
Percent of Assessed Valuation		3.06%	3.10%	3.96%

(a) Not a principal taxpayer for respective year.

(b) An entity related to the Developer.

(c) This entity is named as a defendant in a currently pending lawsuit regarding payment owed to a previous development entity in the District, which payment is secured by a deed of trust on property owned by this entity within the District. See "INVESTMENT CONSIDERATIONS- Factors Affecting Taxable Values and Tax Payments- Developer Pending Lawsuit" and "THE DISTRICT- Historical and Current Status of Development."

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## Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2013 Certified Assessed Valuation and the 2014 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 - Impact on District Tax Rates."

Average Requirement on the Bonds and the Outstanding Bonds (2015 through 2031) .....	\$1,496,834
\$0.93 Tax Rate on 2013 Certified Assessed Valuation of \$170,498,606 @ 95% collections produces .....	\$1,506,355
\$0.79 Tax Rate on 2014 Certified Assessed Valuation of \$199,840,062 @ 95% collections produces .....	\$1,499,800
Maximum Requirement on the Bonds and the Outstanding Bonds (2028) .....	\$1,552,934
\$0.96 Tax Rate on 2013 Certified Assessed Valuation of \$170,498,606 @ 95% collections produces .....	\$1,554,947
\$0.82 Tax Rate on 2014 Certified Assessed Valuation of \$199,840,062 @ 95% collections produces .....	\$1,556,754

## Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/15 .....	\$1,473,942 <sup>(a)</sup>
Unaudited Debt Service Fund Balance as of 9/9/2014 .....	\$ 594,110 <sup>(b)</sup>
Capitalized Interest included in Unlimited Tax Bonds, Series 2014 bond proceeds .....	\$ 87,125 <sup>(c)</sup>
Capitalized Interest included in the proceeds of the Bonds .....	\$ 85,961 <sup>(d)</sup>
Projected 2014 Tax Levy @ 95% collections produces .....	<u>\$1,323,811 <sup>(e)</sup></u>
Total Available for Debt Service .....	<u>\$2,091,007</u>

(a) Interest payments on the Bonds begin March 1, 2015.

(b) Unaudited debt service fund balance as of September 9, 2014. Represents debt service fund balance after all 2014 debt service requirements have been paid.

(c) Capitalized Interest included in the proceeds of the District's Unlimited Tax Bonds, Series 2014 and deposited into the District's Debt Service Fund on February 25, 2014.

(d) Approximately twenty-four months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.

(e) The District expects to levy a 2014 debt service tax rate of \$0.6973.

## TAXING PROCEDURES

### Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – District Bond Tax Rate Limitation," and "TAX DATA – Maintenance Tax."

### Property Tax Code and County-Wide Appraisal District

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

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

## **Property Subject to Taxation by the District**

*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 is subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interests with a taxable value of less than \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries; farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse of certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption of full value of the veteran's residential homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

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

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

*Freeport Goods and Goods-in-Transit Exemption...* Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. 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 is 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. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are not exempt from taxation by the District.

## **Valuation of Property for Taxation**

Generally, property in the District must be appraised by the TCAD at market value as of January 1 of each year. Once an appraisal roll is prepared and formally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. The chief appraiser uses the method he or she considers the most appropriate. Effective January 1, 2010, State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to 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. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

### **District and Taxpayer Remedies**

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

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

### **Levy and Collection of Taxes**

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

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

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 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 rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

### **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 2013". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a

taxpayer may redeem residential homestead property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records other property may be redeemed by a taxpayer within 180 days of such filing) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – Tax Collections and Foreclosure Remedies."

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

FIRREA contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the FDIC when the FDIC is acting as the conservator or receiver of an insolvent financial institution. See "INVESTMENT CONSIDERATIONS - The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

## **LEGAL MATTERS**

### **Legal Opinions**

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Freeman & Corbett ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The supplemental legal opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel ("Special Tax Counsel"), will address the matters described below under "TAX MATTERS." Special Tax Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof, (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceeds relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## **TAX MATTERS**

### **Tax Exemption**

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (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, Special Tax Counsel will express no opinion as

to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Opinion of Special Tax Counsel.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of Freeman & Corbett L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from the proceeds of a generally-applicable ad valorem tax, (b) the District's federal tax certificate and (c) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. 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.

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

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

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

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

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

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

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

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

### **Tax Accounting Treatment of Original Issue Discount Bonds**

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal or maturity 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 constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond in the initial public offering of the Bonds. 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, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner. See "Tax Exemption" herein for a discussion of certain collateral federal tax consequences.

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 accrual period and ratably within each such accrual 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 amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Bond.

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

### **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.

### **Qualified Tax-Exempt Obligations for Financial Institutions**

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt 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 Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). 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. 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 by the required time, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A 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 notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (i) non-payment related defaults; (ii) modifications to rights of Bondholders; (iii) Bond calls; (iv) release, substitution, or sale of property securing repayment of the Bonds; (v) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (vi) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws: (i) principal and interest payment delinquencies; (ii) unscheduled draws on debt service reserves reflecting financial difficulties; (iii) unscheduled draws on credit enhancements reflecting financial difficulties; (iv) substitution of credit or liquidity providers, or their failure to perform; (v) adverse tax opinions or 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-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (vi) tender offers; (vii) defeasances; (viii) rating changes; and (ix) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "Annual Reports."

### **Availability of Information from MSRB**

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

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

### **Limitations and Amendments**

The District has agreed to update information and to provide notices of 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 the Bond Resolution 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) determines 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 Bonds in the primary offering of the Bonds.

### **Compliance with Prior Undertakings**

The District is in compliance with all material provisions of its continuing disclosure undertaking 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 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 – Jones-Heroy & Associates, Inc. ("Engineer"); "THE DISTRICT – Historical and Current Status of Development" and "THE DEVELOPER" – LEN-BUF/HIDDENLAKE 2-JV, Ltd, a Texas limited partnership (the "Developer"); "THE SYSTEM" - Engineer; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District ("Records"); "FINANCIAL STATEMENT" - Travis Central Appraisal District ("TCAD"); "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and TCAD; "TAX DATA" - TCAD and Travis County Tax Assessor / Collector; "THE SYSTEM - Water And Wastewater Operations" – Blakeslee, Monzingo & Co.; "THE DISTRICT – Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws", "THE DISTRICT - General", "THE BONDS," "TAXING PROCEDURES," "FINANCIAL STATEMENTS – Investment Authority and Investment Practices of the District," "LEGAL MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" – Freeman & Corbett; "TAX MATTERS" – 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 Jones-Heroy & Associates, Inc., and has been included in reliance upon the authority of said firm in the field of engineering.

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

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE BONDS – Issuance of Additional Debt" (last two paragraphs), "THE DISTRICT – Historical and Current Status of Development" and "THE DEVELOPER" has been provided by the Developer and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

The information contained in this Official Statement relating to the District's financial statements, in particular, the information in Appendix A, has been provided by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

### **Updating the Official Statement During Underwriting Period**

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS - Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

### **Certification as to Official Statement**

The District, acting by and through its Board of Directors in its official capacity in reliance upon the experts and sources listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. All changes in the affairs of the District and other matters described in the Official Statement subsequent to the delivery of the Bonds and all information with respect to the resale of the Bonds are the responsibility of the Initial Purchaser.

### **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 once the District has issued bonds or has assets or receipts in excess of \$100,000. Prior to selling bonds or having assets over \$100,000, the District is allowed under State law to file a financial report in lieu of an audit. 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 Northeast Travis County Utility District, as of the date shown on the first page hereof.

/s/ John Wilder  
President, Board of Directors

/s/ Rhiannon Oxos  
Secretary, Board of Directors

## PHOTOGRAPHS

The following photographs were taken in the District. The homes and recreational facilities 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 audited financial statements of Northeast Travis County Utility District for the fiscal year ended September 30, 2013. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.



**NORTHEAST TRAVIS COUNTY  
UTILITY DISTRICT**

**Financial Statements  
and Supplemental Information  
for the Year Ended September 30, 2013  
and Independent Auditors' Report**



# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TABLE OF CONTENTS

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	<u>Page</u>
ANNUAL FILING AFFIDAVIT	1
INDEPENDENT AUDITORS' REPORT	2-4
MANAGEMENT'S DISCUSSION AND ANALYSIS	5-9
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to Basic Financial Statements	13-25
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY SUPPLEMENTAL INFORMATION:	
Index of Supplemental Schedules Required by Texas Commission on Environmental Quality	26
Supplemental Schedules Required by Texas Commission on Environmental Quality	27-37
OTHER SUPPLEMENTAL INFORMATION:	
Other Supplemental Schedules	38-39

# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF TRAVIS

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

of the NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, its annual audit report for the fiscal year ended September 30, 2013 and that copies of the annual audit report have been filed in the District office, located at 8500 Bluffstone Cove, Suite B-104, Austin, TX 78759.

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

Date: \_\_\_\_\_, 20\_\_\_\_. By: \_\_\_\_\_  
(Signature of District Representative)

\_\_\_\_\_  
John Wilder, Board President  
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_.

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

(SEAL)

\_\_\_\_\_  
(Printed Name of Notary)

My Commission Expires On: \_\_\_\_\_  
Notary Public in and for the State of Texas



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 303 East Main Street

Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Northeast Travis County Utility District:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Northeast Travis County Utility District (the "District"), as of and for the year ended September 30, 2013, 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.

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"*

*This firm is not a CPA firm*

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

## **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, 2013, and the respective changes in financial position, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note 1 to the financial statements, in 2013, the District adopted new accounting guidance, Governmental Accounting Standards Board (“GASB”) Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

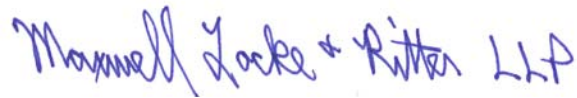
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 supplemental information required by the Texas Commission on Environmental Quality (the “TCEQ”) and other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplemental information required by the TCEQ listed in the table of contents 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in blue ink that reads "Maxwell Locke & Ritter LLP". The signature is written in a cursive, flowing style.

Austin, Texas  
January 28, 2014

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

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## Management's Discussion and Analysis For the Year Ended September 30, 2013

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Northeast Travis County Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2013. Please read it in connection with the District's financial statements that follow.

For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

### Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
  - *Statement of Net Position and Governmental Funds Balance Sheet*
  - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
  - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
  - *Notes to Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

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

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District's adopted budget to its actual results.

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

Schedules required by the Texas Commission on Environmental Quality and other supplemental information are presented immediately following the *Notes to Basic Financial Statements*.

## Comparative Financial Statements

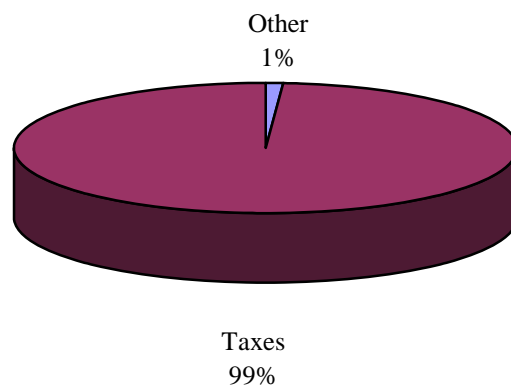
### Statement of Net Position

	Governmental Activities		
	2013	2012	% Change
Current and other assets	\$ 1,623,188	\$ 1,372,714	18%
Noncurrent assets, as restated	15,342,677	14,765,752	4%
<b>Total assets, as restated</b>	<b>\$ 16,965,865</b>	<b>\$ 16,138,466</b>	<b>5%</b>
<b>Deferred outflows of resources</b>	<b>\$ 138,450</b>	<b>165,180</b>	<b>(16%)</b>
Current liabilities	\$ 782,593	\$ 711,333	10%
Long-term liabilities, as restated	18,987,367	17,577,298	8%
<b>Total liabilities, as restated</b>	<b>\$ 19,769,960</b>	<b>\$ 18,288,631</b>	<b>8%</b>
Net investment in capital assets, as restated	\$ (2,399,301)	\$ (1,700,910)	(41%)
Restricted for debt service	608,075	688,938	(12%)
Unrestricted, as restated	(874,419)	(1,078,193)	19%
<b>Total net position, as restated</b>	<b>\$ (2,665,645)</b>	<b>\$ (2,090,165)</b>	<b>(28%)</b>

The District's total assets were approximately \$17.0 million as of September 30, 2013. Of this amount, approximately \$15.3 million is accounted for by capital assets and intangible assets. The District had outstanding liabilities of approximately \$19.8 million of which approximately \$18.4 million represent bonds payable.

The District's assessed value for fiscal year 2013 (which is based on the 2012 tax levy) was approximately \$154.4 million compared to approximately \$154.5 million for fiscal year 2012. The tax rate is set after modeling revenue and expenses for the upcoming five year period. The District's primary revenue source is property taxes.

### Sources of Revenue





## Statement of Activities

	<b>Governmental Activities</b>		
	<b>2013</b>	<b>2012</b>	<b>% Change</b>
Property taxes, including penalties	\$ 1,396,130	\$ 1,410,367	(1%)
Interest and other	2,526	4,383	(42%)
<b>Total revenues</b>	<b>\$ 1,398,656</b>	<b>\$ 1,414,750</b>	<b>(1%)</b>
Service operations	124,944	153,020	(18%)
Debt service	1,134,652	908,848	25%
Depreciation	50,978	33,985	50%
Amortization	663,562	893,980	(26%)
<b>Total expenses</b>	<b>1,974,136</b>	<b>1,989,833</b>	<b>(1%)</b>
<b>Change in net position</b>	<b>(575,480)</b>	<b>(575,083)</b>	<b>(&lt;1%)</b>
Beginning net position, as restated	(2,090,165)	(180,075)	(1,061%)
<b>Effect of implementation of GASB 65</b>	<b>-</b>	<b>(1,335,007)</b>	<b>100%</b>
<b>Ending net position, as restated</b>	<b>\$ (2,665,645)</b>	<b>\$ (2,090,165)</b>	<b>(28%)</b>

Operating revenues decreased by approximately \$16,000 for the fiscal year ended September 30, 2013. Property taxes generated approximately \$1.4 million in revenues and interest and other revenues provided approximately \$2,500. Total expenses also decreased by approximately \$16,000 for the fiscal year ended September 30, 2013. Net position decreased approximately \$575,000 for the fiscal year ended September 30, 2013 to an ending deficit balance of approximately \$2.7 million, which included a prior period adjustment of \$1,355,007.

GASB Statement No. 65 was implemented during the current fiscal year. In accordance with GASB Statement No. 65, bond issuance costs previously reported as assets in the statement of net position and amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net position - September 30, 2012	\$ (755,158)
Effect of adjustments	(1,335,007)
Net position - September 30, 2012, as restated	<u>\$ (2,090,165)</u>

## Analysis of Governmental Funds

	<b>2013</b>	<b>2012</b>	<b>2011</b>
Cash and cash equivalents	\$ 1,588,581	\$ 1,326,825	\$ 1,806,074
Receivables	50,447	57,869	31,870
Prepaid expenditures	31,427	42,698	7,660
<b>Total assets</b>	<b>\$ 1,670,455</b>	<b>\$ 1,427,392</b>	<b>\$ 1,845,604</b>
Accounts payable	\$ 7,205	\$ 12,375	\$ 7,096
Other liabilities	47,267	54,678	31,870
<b>Total liabilities, as restated</b>	<b>54,472</b>	<b>67,053</b>	<b>38,966</b>
Deferred inflows of resources	3,180	3,191	-
<b>Total fund balances</b>	<b>1,612,803</b>	<b>1,357,148</b>	<b>1,806,638</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 1,670,455</b>	<b>\$ 1,427,392</b>	<b>\$ 1,845,604</b>

The *General Fund* pays for daily operating expenditures. When comparing actual to final budget, revenues were greater than budget by approximately \$5,000 due to more property tax revenue received in the current fiscal year. Expenditures were lower than final budget amounts by approximately \$57,000 due to general cost savings among most categories of expenditures. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$590,000 and interest of \$786,319. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* and the *General Fund* purchase the District's infrastructure. During the fiscal year, the District had capital outlay expenditures of \$952,633 for drainage facilities and rights to receive services paid out of surplus funds.

#### Capital Assets, net

	2013	2012
Land	\$ 223,959	\$ 223,959
Drainage facilities	2,193,944	1,313,688
Detention pond and channel	187,610	191,987
<b>Total</b>	<b>\$ 2,605,513</b>	<b>\$ 1,729,634</b>

More detailed information about the District's capital assets is presented in the *Notes to Basic Financial Statements*.

#### Intangible Assets

	2013	2012
Rights to receive service	\$ 14,644,686	\$ 14,618,910
Accumulated amortization	(1,907,522)	(1,582,792)
<b>Total</b>	<b>\$ 12,737,164</b>	<b>\$ 13,036,118</b>

More detailed information about the District's intangible assets is presented in the *Notes to Basic Financial Statements*.

#### Long-Term Debt Activity

	2013	2012
Series 2007 Bonds	\$ 255,000	\$ 3,995,000
Series 2008 Bonds	360,000	2,155,000
Series 2010 Bonds	1,900,000	1,950,000
Series 2011 Bonds	7,450,000	7,595,000
Series 2012 Bonds	1,745,000	1,785,000
Series 2012A Bonds	1,495,000	-
Series 2012B Bonds	5,185,000	-
<b>Total</b>	<b>\$ 18,390,000</b>	<b>\$ 17,480,000</b>

The District owes approximately \$18.4 million to bond holders. During the year, the District paid \$590,000 in principal payments on outstanding bonds. In October 2012, the District issued \$1,500,000 in Series 2012A Unlimited Tax Bonds. In December 2012, the District issued \$5,300,000 Unlimited Tax Refunding Bonds; this refunding resulted in an overall debt service savings to the District of approximately \$198,000. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

### **Currently Known Facts, Decisions, or Conditions**

The 2013 tax rate has been set at \$0.8993 per \$100 of assessed valuation. The adopted budget for 2014 projects an increase in fund balance in the General Fund of approximately \$71,000. When compared to the 2013 budget, revenues are expected to increase by approximately 48% due to an increase in property tax revenues. Expenditures are expected to increase by approximately 29% due to an increase in engineering, electricity and permitting expenditures. Approximately 18% of the property tax will fund general operating expenditures, and approximately 82% of the property tax will be set aside for debt service.

### **Requests for Information**

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Freeman & Corbett, 8500 Bluffstone Cove, Suite B-104, Austin, TX 78759.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
<b>ASSETS:</b>						
Cash and cash equivalents:						
Cash on deposit	\$ 152,079	\$ 170,140	\$ 609,695	\$ 931,914	\$ -	\$ 931,914
Cash equivalent investments	151,548	505,119	-	656,667	-	656,667
Receivables:						
Taxes	410	2,770	-	3,180	-	3,180
Interfund	46,746	-	521	47,267	(47,267)	-
Prepaid items	-	-	31,427	31,427	-	31,427
Intangible assets, net of accumulated amortization-						
Rights to receive service	-	-	-	-	12,737,164	12,737,164
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	223,959	223,959
Drainage facilities	-	-	-	-	2,193,944	2,193,944
Detention pond and channel	-	-	-	-	187,610	187,610
Total assets	<u>\$ 350,783</u>	<u>\$ 678,029</u>	<u>\$ 641,643</u>	<u>\$ 1,670,455</u>	<u>15,295,410</u>	<u>16,965,865</u>
<b>DEFERRED OUTFLOWS OF RESOURCES-</b>						
Deferred charges on refundings	-	-	-	-	138,450	138,450
<b>LIABILITIES:</b>						
Accounts payable	7,205	-	-	7,205	-	7,205
Accrued interest payable	-	-	-	-	54,371	54,371
Interfund payables	-	15,583	31,684	47,267	(47,267)	-
Bonds payable:						
Due within one year	-	-	-	-	721,017	721,017
Due after one year	-	-	-	-	18,987,367	18,987,367
Total liabilities	<u>7,205</u>	<u>15,583</u>	<u>31,684</u>	<u>54,472</u>	<u>19,715,488</u>	<u>19,769,960</u>
<b>DEFERRED INFLOWS OF RESOURCES-</b>						
Property taxes	410	2,770	-	3,180	(3,180)	-
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for debt service	-	659,676	-	659,676	(659,676)	-
Restricted for capital projects	-	-	609,959	609,959	(609,959)	-
Unassigned	343,168	-	-	343,168	(343,168)	-
Total fund balances	<u>343,168</u>	<u>659,676</u>	<u>609,959</u>	<u>1,612,803</u>	<u>(1,612,803)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 350,783</u>	<u>\$ 678,029</u>	<u>\$ 641,643</u>	<u>\$ 1,670,455</u>		
<b>Net position:</b>						
Net investment in capital assets					(2,399,301)	(2,399,301)
Restricted for debt service					608,075	608,075
Unrestricted					(874,419)	(874,419)
Total net position					<u>\$ (2,665,645)</u>	<u>\$ (2,665,645)</u>

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

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES SEPTEMBER 30, 2013

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
<b>REVENUES:</b>						
Property taxes, including penalties	174,877	1,221,264	\$ -	\$ 1,396,141	\$ (11)	\$ 1,396,130
Interest	444	1,392	690	2,526	-	2,526
Total revenues	175,321	1,222,656	690	1,398,667	(11)	1,398,656
<b>EXPENDITURES / EXPENSES:</b>						
Current:						
Repairs and maintenance	10,465	-	-	10,465	-	10,465
Electricity	33,521	-	-	33,521	-	33,521
Legal fees	17,781	-	-	17,781	-	17,781
Engineering fees	9,950	-	-	9,950	-	9,950
Bookkeeping	10,763	-	-	10,763	-	10,763
Audit fees	17,000	-	-	17,000	-	17,000
Director fees, including payroll taxes	4,663	-	-	4,663	-	4,663
Insurance	1,899	-	-	1,899	-	1,899
Tax appraisal/collection	1,057	7,389	-	8,446	-	8,446
Other	9,820	539	97	10,456	-	10,456
Debt service:						
Principal payments	-	590,000	-	590,000	(590,000)	-
Interest	-	786,319	-	786,319	(136,720)	649,599
Fiscal agent fees and other	-	4,400	400	4,800	-	4,800
Bond issuance costs	-	306,754	173,499	480,253	-	480,253
Capital outlay	198,758	-	753,875	952,633	(952,633)	-
Depreciation	-	-	-	-	50,978	50,978
Amortization	-	-	-	-	663,562	663,562
Total expenditures/ expenses	315,677	1,695,401	927,871	2,938,949	(964,813)	1,974,136
<b>DEFICIT OF REVENUES UNDER EXPENDITURES</b>	(140,356)	(472,745)	(927,181)	(1,540,282)	1,540,282	-
<b>OTHER FINANCING SOURCES (USES):</b>						
Transfers In/(Out)	11,888	-	(11,888)	-	-	-
Proceeds of refunding bonds	-	5,300,000	-	5,300,000	(5,300,000)	-
Proceeds from sale of bonds	-	74,805	1,425,195	1,500,000	(1,500,000)	-
Discount on sale of bonds	-	-	(18,011)	(18,011)	18,011	-
Premium on sale of bonds	-	626,050	-	626,050	(626,050)	-
Payment to refunded bond escrow agent	-	(5,612,102)	-	(5,612,102)	5,612,102	-
Total other financing sources, net	11,888	388,753	1,395,296	1,795,937	(1,795,937)	-
Net change in fund balances/net position	(128,468)	(83,992)	468,115	255,655	(831,135)	(575,480)
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year, as restated	471,636	743,668	141,844	1,357,148	(3,447,313)	(2,090,165)
End of the year	\$ 343,168	\$ 659,676	\$ 609,959	\$ 1,612,803	\$ (4,278,448)	\$ (2,665,645)

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

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND SEPTEMBER 30, 2013

	ACTUAL	ORIGINAL BUDGET	FINAL BUDGET	VARIANCE WITH FINAL BUDGET
<b>REVENUES:</b>				
Property taxes, including penalties	\$ 174,877	\$ 167,341	\$ 169,735	\$ 5,142
Interest	444	1,000	403	41
Transfers in	11,888	-	11,888	-
Total revenues	187,209	168,341	182,026	5,183
<b>EXPENDITURES:</b>				
Current:				
Repairs and maintenance	10,465	24,000	24,000	13,535
Electricity	33,521	35,000	35,000	1,479
Legal fees	17,781	20,000	20,000	2,219
Engineering fees	9,950	20,000	20,000	10,050
Bookkeeping	10,763	12,000	12,000	1,237
Audit fees	17,000	17,000	17,000	-
Director fees, including payroll taxes	4,663	9,000	9,000	4,337
Insurance	1,899	4,000	4,000	2,101
Tax appraisal/collection	1,057	12,000	12,000	10,943
Other	9,820	15,250	20,500	10,680
Capital outlay	198,758	-	198,758	-
Total expenditures	315,677	168,250	372,258	56,581
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	(128,468)	91	(190,232)	61,764
<b>FUND BALANCE:</b>				
Beginning of the year	471,636			
End of the year	\$ 343,168			

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

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2013

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Northeast Travis County Utility District (the “District”) was created by a special act of the Texas Legislature, Chapter 966 Sections 3.1601 to 3.1614 of the 77th Regular Session of the Texas Legislature, effective September 1, 2001. Creation of the District was confirmed at an election held on November 5, 2002. The District operates under Chapters 49 and 54 of the Texas Water Code and is subject to Article XVI, Section 59, of the Texas Constitution. The District is located primarily within the extraterritorial jurisdiction of the City of Pflugerville, entirely within Travis County.

The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”), which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) Statement No. 14 since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity

**Government-wide and Fund Financial Statements** - For purposes of GASB Statement No. 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the “Total Governmental Funds” column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the statement of net position and the statement of activities.

The government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

## **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following fund types:

The General Fund accounts for financial resources used for general operations. It is a budgeted fund, and any unassigned fund balances are considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

## **Budgets and Budgetary Accounting**

Formal budgetary integration is employed as a management control device for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund and the Capital Projects Fund. The budget is proposed by the District's bookkeeper for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.



## **Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

Cash and Cash Equivalents - Includes cash on deposit as well as investments with maturities of three months or less. The District is entitled to invest any and all of its funds in certificates of deposit, direct debt securities of the United States of America or the State of Texas, certain Federal agency securities and other types of municipal bonds, fully collateralized repurchase agreements, commercial paper and local government investment pools. The District's investment policies and types of investments are governed by Section 2256 of the Government Code (the "Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policies. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments.

Capital Assets - Capital assets, which include land, drainage facilities, and detention pond and channel (purchased, constructed or donated), are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized. Capital assets, other than land, are depreciated using the straight line method over an estimated useful life of fifty years.

Intangible Assets - Intangible assets, which include rights to receive service, are reported in the governmental activities column in the government-wide financial statements. Intangible assets are defined as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. Intangible assets are amortized using the straight line method over the estimated useful lives of the assets, which is forty-one to forty-six years.

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

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures during the period incurred in both the fund and government-wide financial statements.

Ad Valorem Property Taxes - Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles within the General Fund and Debt Service Fund are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

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

Reclassifications - Certain reclassifications have been made to prior year amounts to conform to current year presentation.

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

The District adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. GASB Statement No. 65 is effective for fiscal years beginning after December 15, 2012 but has been early implemented in these financial statements. See Note 14 for the prior period adjustment related to the adoption of GASB Statement No. 65.

## 2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds total fund balance	\$ 1,612,803
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	2,605,513
Intangible assets, net of accumulated amortization	12,737,164
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	3,180
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including discounts and premiums	(18,490,387)
Less: deferred charges on refunding	138,450
Accretion payable	(1,217,997)
Bond interest payable	(54,371)
Total net position	<u>\$ (2,665,645)</u>

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances	\$ 255,655
Governmental funds report capital outlays as expenditures.	
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as amortization expense.	
Capital outlay	952,633
Depreciation expense	(50,978)
Amortization expense - rights to receive service	(324,730)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(11)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Proceeds from sale of bonds, net of bond discount	(1,481,989)
Proceeds of refunding bonds, including of bond premium	(5,926,050)
Repayment of bond principal	590,000
Payment to refunded bond escrow agent	5,612,102
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in accretion payable	139,081
Change in bond interest payable	3,076
Amortization of deferred charge on refunding	(338,832)
Amortization of bond premiums	7,538
Amortization of bond discounts	(12,975)
Change in net position	<u>\$ (575,480)</u>

### 3. CASH AND CASH EQUIVALENTS

The District's deposits are required to be secured in a manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2013 the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety of principal, liquidity, return on investment, and yield.

The District is entitled to invest in the following:

- Obligations of the United States or its agencies and instrumentalities;
- 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 if the obligation is not:
  - An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
  - An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
  - A collateralized mortgage obligation that has a stated final maturity date of greater than 10 years; and
  - A collateralized mortgage obligation the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- 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 of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the FDIC or by the explicit full faith and credit of the United States;
- Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than "A" or its equivalent;
- Certificates of deposit issued by a state or national bank domiciled in this State or a savings and loan association domiciled in this State and is guaranteed or insured by the FDIC or its successor or secured by obligations described above which have a market value at least equal to the deposit and are pledged to the District only and held by a third-party custodian;

- Fully insured certificates of deposit purchased from a broker or a bank that has its main office or a branch in the State of Texas and is selected from the list of qualified brokers approved in the District's investment policy. All investments in such brokered certificates of deposit shall be made on a delivery versus payment basis to the District's safekeeping agent, and the Investment Officer shall verify that the bank is fully insured with the FDIC prior to purchase. In the event that any bank from which the District has purchased a brokered certificate of deposit merges with, or is acquired by, another bank in which brokered certificates of deposit are owned by the District, the Investment Officer shall immediately contact the banks to liquidate any brokered certificate that exceeds FDIC insurance levels;
- An investment pool that meets the requirements of the Public Funds Investment Act;
- Other investments authorized by law and approved by the Board by resolution or minute entry.

Investments held at September 30, 2013, consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Government Investment Pool - TexPool	<u>\$ 656,667</u>	1	AAA-m

Although Texas Local Government Investment Pool ("TexPool") is not registered with the SEC as an investment company, it does operate in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. Their investments are stated at fair value which is the same as the value of the pool shares.

TexPool is overseen by the Texas State Comptroller of Public Accounts, who is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors manage daily operations of TexPool under a contract with the Comptroller and is the investment manager for the pool. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

Credit risk - At September 30, 2013, investments were included in a local government investment pool with ratings from Standard & Poor's in compliance with the District's investment policy.

Interest rate risk - The District considers the holdings in the local government investment pool to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value.

#### 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2013, is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 15,062
General	Capital Projects	31,684
Capital Projects	Debt Service	521
Total		<u>\$ 47,267</u>

During the year ended September 30, 2013, the District transferred \$11,888 from the Capital Projects Fund to the General Fund to reimburse the General Fund for capital and maintenance related expenditures.

#### 5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2013, was as follows:

	Balance September 30, 2012	Additions	Retirements and Transfers	Balance September 30, 2013
Capital asset, not being depreciated-				
Land	<u>\$ 223,959</u>	<u>-</u>	<u>-</u>	<u>223,959</u>
Capital assets, being depreciated:				
Drainage facilities	1,480,428	926,857	-	2,407,285
Detention pond and channel	<u>218,863</u>	<u>-</u>	<u>-</u>	<u>218,863</u>
Total capital assets, being depreciated	<u>1,699,291</u>	<u>926,857</u>	<u>-</u>	<u>2,626,148</u>
Less accumulated depreciation for:				
Drainage facilities	(166,740)	(46,601)	-	(213,341)
Detention pond and channel	<u>(26,876)</u>	<u>(4,377)</u>	<u>-</u>	<u>(31,253)</u>
Total accumulated depreciation	<u>(193,616)</u>	<u>(50,978)</u>	<u>-</u>	<u>(244,594)</u>
Total capital assets, being depreciated, net	<u>1,505,675</u>	<u>875,879</u>	<u>-</u>	<u>2,381,554</u>
Capital assets, net	<u>\$ 1,729,634</u>	<u>875,879</u>	<u>-</u>	<u>2,605,513</u>

## 6. INTANGIBLE ASSETS

Intangible assets activity for the year ended September 30, 2013, was as follows:

	Balance September 30, 2012	Additions	Retirements and Transfers	Balance September 30, 2013
Intangible assets -				
Rights to receive service	\$ 14,618,910	25,776	-	14,644,686
Less: accumulated amortization	(1,582,792)	(324,730)	-	(1,907,522)
Intangible assets, net	<u>\$ 13,036,118</u>	<u>(298,954)</u>	<u>-</u>	<u>12,737,164</u>

## 7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2013:

Deferred charges on bond refundings - September 30, 2012	\$ 165,180
Additions from Series 2012B refunding	312,102
Retirements from Series 2012 and Series 2012B refundings	<u>(338,832)</u>
Deferred charges on bond refundings - September 30, 2013	<u>\$ 138,450</u>

## 8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2013:

	Balance September 30, 2012	Additions/ Refundings	Retirements	Balance September 30, 2013
Bonds payable - Series 2007	3,995,000	(3,615,000)	(125,000)	255,000
Bonds payable - Series 2008	2,155,000	(1,685,000)	(110,000)	360,000
Bonds payable - Series 2010	1,950,000	-	(50,000)	1,900,000
Bonds payable - Series 2011	7,595,000	-	(145,000)	7,450,000
Bonds payable - Series 2012	1,785,000	-	(40,000)	1,745,000
Bonds payable - Series 2012A	-	1,500,000	(5,000)	1,495,000
Bonds payable - Series 2012B	-	5,300,000	(115,000)	5,185,000
Accretion payable	803,612	589,385	(175,000)	1,217,997
Premium on bond issuances, net	92,002	72,584	(7,538)	157,048
Discount on bond issuances, net, as restated	(51,625)	(18,011)	12,975	(56,661)
Total	<u>\$ 18,323,989</u>	<u>2,143,958</u>	<u>(759,563)</u>	<u>19,708,384</u>

Bonds payable at September 30, 2013 consisted of the following:

Series	Description	Matures	Interest Rates	Balance September 30, 2013	Due within one year
	Unlimited Tax		4.00% -		
2007	Bonds	2015	6.00%	\$ 255,000	\$ 125,000
	Unlimited Tax		4.30% -		
2008	Bonds	2016	5.35%	360,000	115,000
	Unlimited Tax		2.875% -		
2010	Bonds	2035	4.875%	1,900,000	50,000
	Unlimited Tax		2.00% -		
2011	Refunding Bonds	2031	4.375%	7,450,000	95,000
	Unlimited Tax		2.00% -		
2012	Refunding Bonds	2033	4.00%	1,745,000	40,000
	Unlimited Tax		3.00 % -		
2012A	Bonds	2037	4.25%	1,495,000	5,000
	Unlimited Tax		2.00% -		
2012B	Refunding Bonds	2032	3.25%	5,185,000	65,000
	Total			<u>\$ 18,390,000</u>	<u>\$ 495,000</u>

Of the total outstanding balance of \$1,217,977 of accretion payable on Capital Appreciation Bonds due at September 30, 2013, \$226,017 is due within one year.

The District bonds are secured by and payable from a first lien and pledge of ad valorem taxes of the District.

On October 30, 2012, the District issued \$1,500,000 in Unlimited Tax Bonds, Series 2012A, with interest rates ranging from 3.00% to 4.25%. The net proceeds of \$1,314,276 (after payment of \$185,724 in underwriting fees, insurance, and other issuance costs) were deposited with District investment accounts to provide payments for capital assets and future debt service obligations.

On December 21, 2012, the District issued \$5,300,000 of Refunding Bonds to advance refund \$5,300,000 of its previously issued Series 2007 and 2008 bonds in order to lower its overall debt service requirements. The net proceeds of \$5,626,024 (after payment of \$308,954 in underwriting fees, insurance, and other issuance costs) were used for the following: \$5,612,102 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$13,922 was deposited in the Debt Service Fund for future interest and principal payments. As a result, \$5,300,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. At September 30, 2013, \$1,685,000 of outstanding bonds are considered defeased as \$3,615,000 the refunded bonds were retired prior to year end. The reacquisition price exceeded the amount of the old debt by \$312,102, which will be amortized over the remaining life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of \$198,091.

In the current and previous years, the District defeased outstanding general obligation bonds through the Series 2012 and Series 2012B Unlimited Tax Refunding Bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for the future debt service payments on the refunded bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At September 30, 2013, outstanding bonds of \$3,490,000 are considered defeased.



Debt service requirements to maturity for District's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2014	\$ 495,000	882,447	1,337,447
2015	740,000	638,584	1,378,584
2016	770,000	617,514	1,387,514
2017	475,000	908,064	1,383,064
2018	485,000	900,164	1,385,164
2019-2023	4,475,000	2,590,258	7,065,258
2024-2028	4,900,000	2,279,828	7,179,828
2029-2033	4,330,000	1,058,182	5,388,182
2034-2037	1,720,000	166,975	1,886,975
Total	<u>\$ 18,390,000</u>	<u>10,042,016</u>	<u>28,432,016</u>

The outstanding Series 2011, Series 2012 and Series 2012B bonds include both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

At September 30, 2013, unlimited tax bonds of approximately \$28,650,000 were authorized by the District, but unissued.

## 9. PROPERTY TAXES

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred revenue. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2012, the District levied a combined tax rate of \$0.8993 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.1126 and \$0.7867, respectively. The total 2012 tax levy was \$1,388,912 based on a taxable valuation of \$154,444,871.

## 10. FUND BALANCES

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

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

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

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

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

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

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 10.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

## 11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool ("TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. During the year ended September 30, 2013, there were no significant reductions in insurance coverage from coverage in the prior year. No claims were filed during the last three years.

## **12. COMMITMENTS AND CONTINGENCIES**

The District has agreed to reimburse various developers for the cost of certain projects to the extent allowed by the Texas Commission on Environmental Quality. The District is not obligated to reimburse the developers until bonds are issued. At September 30, 2013, the District has recorded no liability pertaining to such costs.

## **13. AGREEMENT WITH CITY OF PFLUGERVILLE**

The District, the developers in the District, and the City of Pflugerville (the “City”) have entered into a Comprehensive Development Agreement (the “Agreement”), dated June 2001, as amended. Pursuant to the Agreement, the City consented to the creation of the District. The developers, the District, and the City further agreed in the Agreement that the water and wastewater facilities constructed by the developers on behalf of the District to serve residents in the District would be sold to the District from time to time as the District can issue and sell its bonds to pay for the facilities, as approved by the Texas Commission on Environmental Quality. Prior to sale of the water and wastewater facilities to the District, the developers agree to lease the facilities to the City for maintenance and operation by the City. After purchase of the facilities by the District, the District agrees to transfer the facilities to the City for maintenance and operation by the City. The City further agreed to use the water and wastewater facilities leased or transferred to it to provide retail water and wastewater service to residents in the District at inside-city rates. As of September 30, 2013, the District has \$12,737,164 in intangible assets related to the rights to receive water and wastewater service from the City pursuant to the Agreement.

## **14. PRIOR PERIOD ADJUSTMENT**

GASB Statement No. 65 was implemented during the current fiscal year. In accordance with GASB Statement No. 65, bond issuance costs previously reported as assets in the statement of net position and amortized over the life of the related debt are now recognized as an expense in the period in which the bonds are sold. The effect of this change in accounting principle is as follows:

Net position - September 30, 2012	\$ (755,158)
Effect of adjustments	<u>(1,335,007)</u>
Net position - September 30, 2012, as restated	<u><u>\$ (2,090,165)</u></u>

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY TEXAS COMMISSION ON ENVIRONMENTAL QUALITY YEAR ENDED SEPTEMBER 30, 2013

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SCHEDULE INCLUDED		
YES	NO	
<u>X</u>	<u>      </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u>      </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u>      </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u>      </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u>      </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u>X</u>	<u>      </u>	TSI-5 Long-Term Debt Service Requirements by Years
<u>X</u>	<u>      </u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u>      </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years
<u>X</u>	<u>      </u>	TSI-8 Board Members, Key Personnel and Consultants

# **NORTHEAST TRAVIS COUNTY UTILITY DISTRICT**

## **TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL YEAR ENDED SEPTEMBER 30, 2013**

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The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 12 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

See Note 8 to basic financial statements.

(E) Compliance with Debt Service Requirements

The provisions of the bond resolutions as summarized in Note 8 to basic financial statements relating to debt service requirements have been met.

(F) Redemption of Bonds

See Note 8 to basic financial statements.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-1. SERVICES AND RATES SEPTEMBER 30, 2013

### 1. Services Provided by the District during the Fiscal Year:

- |  |   |  |
|--|---|--|
| <input type="checkbox"/> Retail Water  | <input type="checkbox"/> Wholesale Water      | <input checked="" type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater   | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation          |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security            |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads               |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)                                  |   |  |
| <input checked="" type="checkbox"/> Other (specify): Construction of water and wastewater facilities to be owned, operated and maintained by the City of Pflugerville. |   |  |

### 2. Retail Service Providers

#### a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	(1)				
WASTEWATER:	(1)				
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes ☐ No ☐

Total charges per 10,000 gallons usage: Water \_\_\_\_\_ Wastewater \_\_\_\_\_

#### b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	(1)	Active Connections	(1)	ESFC Factor	(1)	Active ESFC's
Unmetered	0.0		0.0		1.0		0.0
< 3/4"	0.0		0.0		1.0		0.0
1"	0.0		0.0		2.5		0.0
1 1/2"	0.0		0.0		5.0		0.0
2"	0.0		0.0		8.0		0.0
3"	0.0		0.0		15.0		0.0
4"	0.0		0.0		25.0		0.0
6"	0.0		0.0		50.0		0.0
8"	0.0		0.0		80.0		0.0
10"	0.0		0.0		115.0		0.0
Total Water	0.0		0.0				0.0
Total Wastewater	0.0		0.0		1.0		0.0

<sup>(1)</sup> The District is serviced by the City of Pflugerville (the "City"). As a result, service rates are set by the City, not by the District.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-1. SERVICES AND RATES

SEPTEMBER 30, 2013

---

### 3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: \_\_\_\_\_<sup>(1)</sup>

Gallons billed to customers: \_\_\_\_\_<sup>(1)</sup>

**Water Accountability Ratio**

(Gallons billed / Gallons Pumped)  
(1)

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

Does the District assess standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: \_\_\_\_\_

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

If yes, Date of the most recent Commission Order: \_\_\_\_\_

### 5. Location of District

County(ies) in which district is located: \_\_\_\_\_ Travis County

Is the District located entirely within one county? Yes ☒ No ☐

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

City(ies) in which district is located: \_\_\_\_\_ Pflugerville

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

Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which district is located: \_\_\_\_\_ Pflugerville

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? \_\_\_\_\_

<sup>(1)</sup> The District is serviced by the City of Pflugerville.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-2. GENERAL FUND EXPENDITURES SEPTEMBER 30, 2013

---

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		17,000
Legal		17,781
Engineering		9,950
Financial Advisor		-
Purchased Services For Resale:		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		10,763
General Manager		-
Appraisal District		1,057
Tax Collector		-
Other Contracted Services		-
Utilities		33,521
Repairs and Maintenance		10,465
Administrative Expenditures:		
Directors' Fees		4,663
Office Supplies		-
Insurance		1,899
Other Administrative Expenditures		9,820
Capital Outlay:		
Capitalized Assets		198,758
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		-
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>315,677</b>

Number of persons employed by the District:

☐ Full-Time    ☒ Part-Time



# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-3. TEMPORARY INVESTMENTS SEPTEMBER 30, 2013

---

<b>Funds</b>	<b>Identification or Certificate Number</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance at September 30, 2013</b>	<b>Accrued Interest Receivable at September 30, 2013</b>
<b>General Fund -</b>					
Investment in TexPool	7923200002	Variable	N/A	\$ 151,548	\$ -
Total General Fund				151,548	-
<b>Debt Service Fund -</b>					
Investment in TexPool	7923200001	Variable	N/A	505,119	-
Total Debt Service Fund				505,119	-
Total - All Funds				\$ 656,667	\$ -

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-4. TAXES LEVIED AND RECEIVABLE SEPTEMBER 30, 2013

				Maintenance Taxes	Debt Service Taxes
<b>Taxes Receivable, Beginning of Year</b>				\$ 474	\$ 2,717
2012 Original Tax Levy				173,904	1,215,008
Adjustments				193	1,367
Total to be accounted for				174,571	1,219,092
Tax collections:					
Current year				173,711	1,213,671
Prior years				450	2,651
Total collections				174,161	1,216,322
<b>Taxes Receivable, End of Year</b>				<u>\$ 410</u>	<u>\$ 2,770</u>
<b>Taxes Receivable, By Years</b>					
2009				\$ 13	\$ 32
2010				11	34
2011				-	-
2012				386	2,704
<b>Taxes Receivable, End of Year</b>				<u>\$ 410</u>	<u>\$ 2,770</u>
<b>Property Valuations:</b>	<b>2012</b>	2011	2010	2009	2008
Land and improvements	<u>\$ 154,444,871</u>	<u>\$ 154,526,873</u>	<u>\$ 148,435,160</u>	<u>\$ 153,062,365</u>	<u>\$ 133,656,018</u>
<b>Total Property Valuations</b>	<u><b>\$ 154,444,871</b></u>	<u><b>\$ 154,526,873</b></u>	<u><b>\$ 148,435,160</b></u>	<u><b>\$ 153,062,365</b></u>	<u><b>\$ 133,656,018</b></u>
<b>Tax Rates per \$100 Valuation:</b>					
Debt Service tax rates	\$ 0.7867	\$ 0.7782	\$ 0.6831	\$ 0.6474	\$ 0.7398
Maintenance tax rates	<u>0.1126</u>	<u>0.1211</u>	<u>0.2162</u>	<u>0.2519</u>	<u>0.1595</u>
<b>Total Tax Rates per \$100 Valuation:</b>	<u><b>\$ 0.8993</b></u>	<u><b>\$ 0.8993</b></u>	<u><b>\$ 0.8993</b></u>	<u><b>\$ 0.8993</b></u>	<u><b>\$ 0.8993</b></u>
<b>Original Tax Levy</b>	<u><b>\$ 1,388,912</b></u>	<u><b>\$ 1,389,660</b></u>	<u><b>\$ 1,334,877</b></u>	<u><b>\$ 1,376,490</b></u>	<u><b>\$ 1,201,969</b></u>
<b>Percent of Taxes Collected to Taxes Levied **</b>	<u><b>99.8%</b></u>	<u><b>100.0%</b></u>	<u><b>99.9%</b></u>	<u><b>99.9%</b></u>	<u><b>100.0%</b></u>
<b>Maximum Tax Rate Approved by Voters:</b>	<u><b>\$ 1.00</b></u>	<u><b>on 11/5/2002</b></u>			

\*\*Calculated as taxes collected in current and previous years divided by tax levy.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS SEPTEMBER 30, 2013

Fiscal Year Ending	Unlimited Tax Bonds Series 2007			Unlimited Tax Bonds Series 2008			Unlimited Tax Bonds Series 2010			Unlimited Tax Refunding Bonds Series 2011		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2014	\$ 125,000	10,200	135,200	\$ 115,000	16,570	131,570	\$ 50,000	83,119	133,119	\$ 95,000	496,145	591,145
2015	130,000	5,200	135,200	120,000	11,395	131,395	50,000	81,681	131,681	330,000	266,145	596,145
2016	-	-	-	125,000	5,875	130,875	50,000	80,181	130,181	345,000	259,545	604,545
2017	-	-	-	-	-	-	50,000	78,556	128,556	340,000	252,645	592,645
2018	-	-	-	-	-	-	50,000	76,806	126,806	360,000	242,445	602,445
2019	-	-	-	-	-	-	50,000	74,994	124,994	380,000	231,645	611,645
2020	-	-	-	-	-	-	75,000	73,119	148,119	385,000	220,245	605,245
2021	-	-	-	-	-	-	75,000	70,119	145,119	390,000	208,695	598,695
2022	-	-	-	-	-	-	75,000	67,025	142,025	425,000	196,995	621,995
2023	-	-	-	-	-	-	75,000	63,931	138,931	430,000	179,995	609,995
2024	-	-	-	-	-	-	75,000	60,781	135,781	470,000	162,795	632,795
2025	-	-	-	-	-	-	75,000	57,594	132,594	475,000	143,995	618,995
2026	-	-	-	-	-	-	75,000	54,313	129,313	500,000	124,995	624,995
2027	-	-	-	-	-	-	75,000	50,938	125,938	520,000	104,995	624,995
2028	-	-	-	-	-	-	100,000	47,563	147,563	555,000	84,195	639,195
2029	-	-	-	-	-	-	100,000	43,063	143,063	565,000	61,995	626,995
2030	-	-	-	-	-	-	100,000	38,438	138,438	605,000	38,265	643,265
2031	-	-	-	-	-	-	125,000	33,813	158,813	280,000	12,250	292,250
2032	-	-	-	-	-	-	125,000	28,031	153,031	-	-	-
2033	-	-	-	-	-	-	125,000	21,938	146,938	-	-	-
2034	-	-	-	-	-	-	150,000	15,844	165,844	-	-	-
2035	-	-	-	-	-	-	175,000	8,531	183,531	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 255,000</u>	<u>15,400</u>	<u>270,400</u>	<u>\$ 360,000</u>	<u>33,840</u>	<u>393,840</u>	<u>\$ 1,900,000</u>	<u>1,210,378</u>	<u>3,110,378</u>	<u>\$ 7,450,000</u>	<u>3,287,985</u>	<u>10,737,985</u>

(continued)

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued)

SEPTEMBER 30, 2013

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2012			Unlimited Tax Bonds Series 2012A			Unlimited Tax Refunding Bonds Series 2012B			Annual Requirements for All Series		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due	Interest Due	Total
2014	\$ 40,000	62,750	102,750	\$ 5,000	55,250	60,250	\$ 65,000	158,413	223,413	\$ 495,000	\$ 882,447	1,377,447
2015	40,000	61,950	101,950	5,000	55,100	60,100	65,000	157,113	222,113	740,000	638,584	1,378,584
2016	40,000	61,150	101,150	5,000	54,950	59,950	205,000	155,813	360,813	770,000	617,514	1,387,514
2017	40,000	60,350	100,350	5,000	54,800	59,800	40,000	461,713	501,713	475,000	908,064	1,383,064
2018	40,000	59,550	99,550	5,000	54,650	59,650	30,000	466,713	496,713	485,000	900,164	1,385,164
2019	45,000	58,750	103,750	5,000	54,448	59,448	345,000	151,713	496,713	825,000	571,550	1,396,550
2020	45,000	57,850	102,850	5,000	54,313	59,313	365,000	141,363	506,363	875,000	546,890	1,421,890
2021	45,000	56,500	101,500	5,000	54,131	59,131	370,000	130,413	500,413	885,000	519,858	1,404,858
2022	45,000	55,150	100,150	5,000	53,944	58,944	375,000	119,313	494,313	925,000	492,427	1,417,427
2023	50,000	53,800	103,800	5,000	53,744	58,744	405,000	108,063	513,063	965,000	459,533	1,424,533
2024	50,000	51,800	101,800	5,000	53,544	58,544	410,000	94,900	504,900	1,010,000	423,820	1,433,820
2025	50,000	49,800	99,800	5,000	53,338	58,338	440,000	81,575	521,575	1,045,000	386,302	1,431,302
2026	55,000	47,800	102,800	5,000	53,131	58,131	445,000	67,275	512,275	1,080,000	347,514	1,427,514
2027	5,000	315,600	320,600	5,000	52,925	57,925	245,000	52,813	297,813	850,000	577,271	1,427,271
2028	5,000	315,600	320,600	5,000	52,713	57,713	250,000	44,850	294,850	915,000	544,921	1,459,921
2029	10,000	310,600	320,600	5,000	52,531	57,531	275,000	36,725	311,725	955,000	504,914	1,459,914
2030	270,000	45,600	315,600	5,000	52,350	57,350	270,000	27,788	297,788	1,250,000	202,441	1,452,441
2031	280,000	34,800	314,800	5,000	52,169	57,169	295,000	19,013	314,013	985,000	152,045	1,137,045
2032	290,000	23,600	313,600	5,000	51,988	56,988	290,000	9,419	299,419	710,000	113,038	823,038
2033	300,000	12,000	312,000	5,000	51,806	56,806	-	-	-	430,000	85,744	515,744
2034	-	-	-	250,000	51,625	301,625	-	-	-	400,000	67,469	467,469
2035	-	-	-	300,000	42,563	342,563	-	-	-	475,000	51,094	526,094
2036	-	-	-	400,000	31,688	431,688	-	-	-	400,000	31,688	431,688
2037	-	-	-	445,000	16,724	461,724	-	-	-	445,000	16,724	461,724
	<u>\$ 1,745,000</u>	<u>1,795,000</u>	<u>3,540,000</u>	<u>\$ 1,495,000</u>	<u>1,214,425</u>	<u>2,709,425</u>	<u>\$ 5,185,000</u>	<u>2,484,988</u>	<u>7,669,988</u>	<u>\$ 18,390,000</u>	<u>10,042,016</u>	<u>28,432,016</u>

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-6. CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2013

	Bond Issue							Total
	Series 2007	Series 2008	Series 2010	Series 2011	Series 2012	Series 2012A	Series 2012B	
Interest Rate	4.0% - 6.0%	4.3% - 5.35%	2.875% - 4.875%	2.0% - 4.375%	2.0% - 4.0%	3.00% -4.25%	2.00% - 3.25%	
Date Interest Payable	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	
Maturity Date	9/1/2015	9/1/2016	9/1/2035	9/1/2031	9/1/2033	9/1/2037	9/1/2032	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 3,995,000	\$ 2,155,000	\$ 1,950,000	\$ 7,595,000	\$ 1,785,000	\$ -	\$ -	\$ 17,480,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	1,500,000	5,300,000	6,800,000
Retirements During the Current Fiscal Year:								
Refunded	(3,615,000)	(1,685,000)	-	-	-	-	-	(5,300,000)
Principal	(125,000)	(110,000)	(50,000)	(145,000)	(40,000)	(5,000)	(115,000)	(590,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 255,000</u>	<u>\$ 360,000</u>	<u>\$ 1,900,000</u>	<u>\$ 7,450,000</u>	<u>\$ 1,745,000</u>	<u>\$ 1,495,000</u>	<u>\$ 5,185,000</u>	<u>\$ 18,390,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 17,700</u>	<u>\$ 21,410</u>	<u>\$ 84,556</u>	<u>\$ 441,145</u>	<u>\$ 63,550</u>	<u>\$ 50,818</u>	<u>\$ 120,534</u>	<u>\$ 799,713</u>
Paying Agent's Name & Address:	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	
	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	
Bond Authority:	<u>Tax Bonds*</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>					
Amount Authorized by Voters	\$ 50,000,000	\$ -	\$ -					
Amount Issued	<u>21,350,000</u>	<u>-</u>	<u>14,765,000</u>	(1)				
Remaining To Be Issued	<u>\$ 28,650,000</u>	<u>\$ -</u>	<u>\$ -</u>					

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

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2013: \$ 675,259

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 1,184,667

(1) Voter approval of refunding bonds is not required pursuant to Texas Water Code, Sec. 49.106.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES GENERAL FUND AND DEBT SERVICE FUND-FIVE YEARS SEPTEMBER 30, 2013

	AMOUNTS					PERCENT OF TOTAL FUND REVENUES				
	2013	2012	2011	2010	2009	2013	2013	2011	2010	2009
<b>GENERAL FUND REVENUES -</b>										
Property taxes, including penalties	174,877	\$ 203,850	\$ 326,552	\$ 395,303	\$ 215,086	99.7%	99.0%	99.3%	99.8%	97.1%
Interest	444	1,655	2,367	862	6,412	0.3%	0.8%	0.7%	0.2%	2.9%
Other	-	500	-	-	-	0.0%	0.2%	-	-	-
<b>TOTAL GENERAL FUND REVENUES</b>	<b>175,321</b>	<b>206,005</b>	<b>328,919</b>	<b>396,165</b>	<b>221,498</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES AND OTHER FINANCING USES -</b>										
Current -										
Repairs and maintenance	10,465	12,138	13,323	12,220	25,676	6.0%	5.9%	4.1%	3.1%	11.6%
Electricity	33,521	35,942	25,185	28,385	24,368	19.1%	17.4%	7.7%	7.2%	11.1%
Legal fees	17,781	22,829	16,458	9,338	16,717	10.1%	11.1%	5.0%	2.4%	7.5%
Engineering fees	9,950	28,389	3,700	3,059	17,126	5.7%	13.8%	1.1%	0.8%	7.7%
Bookkeeping	10,763	9,623	9,287	8,950	11,738	6.1%	4.7%	2.8%	2.3%	5.3%
Audit fees	17,000	16,500	16,500	16,000	17,986	9.7%	8.0%	5.0%	4.0%	8.1%
Director fees, including payroll taxes	4,663	5,813	4,555	5,435	5,975	2.7%	2.8%	1.4%	1.4%	2.7%
Insurance	1,899	1,799	2,100	1,965	2,340	1.1%	0.9%	0.6%	0.5%	1.1%
Tax appraisal/collection	1,057	1,067	1,985	2,333	1,373	0.6%	0.5%	0.6%	0.6%	0.6%
Financial advisor fees	-	-	3,736	1,510	240	-	-	1.1%	0.4%	0.1%
Other	9,820	8,657	193	36	187	5.6%	4.2%	0.1%	-	-
Fiscal agent fees and other	-	-	500	-	-	-	-	0.2%	-	-
Capital Outlay	198,758	226,016	-	-	495,032	113.4%	109.7%	-	0.1%	223.6%
Operating transfer	(11,888)	-	-	-	-	-6.8%	-	-	-	-
<b>TOTAL GENERAL FUND EXPENDITURES AND OTHER FINANCING USES</b>	<b>303,789</b>	<b>368,773</b>	<b>97,522</b>	<b>89,231</b>	<b>618,758</b>	<b>173.3%</b>	<b>179.0%</b>	<b>29.7%</b>	<b>22.5%</b>	<b>279.3%</b>
<b>EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (128,468)</b>	<b>\$ (162,768)</b>	<b>\$ 231,397</b>	<b>\$ 306,934</b>	<b>\$ (397,260)</b>	<b>-73.3%</b>	<b>-79.0%</b>	<b>70.3%</b>	<b>77.5%</b>	<b>-179.3%</b>
<b>DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES -</b>										
Property taxes, including penalties	\$ 1,221,264	\$ 1,225,600	\$ 1,024,358	\$ 1,014,304	\$ 989,244	17.0%	10.5%	86.5%	99.4%	98.0%
Interest	1,392	1,709	3,554	5,824	20,273	0.0%	0.1%	0.3%	0.6%	2.0%
Bond proceeds, net of discount	74,805	-	156,144	-	-	1.0%	-	13.2%	-	-
Refunding bond proceeds, including premium	5,926,050	10,382,754	-	-	-	82.0%	89.4%	-	-	-
<b>TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES</b>	<b>7,223,511</b>	<b>11,610,063</b>	<b>1,184,056</b>	<b>1,020,128</b>	<b>1,009,517</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>DEBT SERVICE FUND EXPENDITURES AND OTHER FINANCING USES -</b>										
Principal	590,000	570,000	455,000	405,000	390,000	8.2%	4.9%	38.4%	39.7%	38.6%
Interest	786,319	736,047	848,907	806,143	811,939	10.9%	6.3%	71.7%	79.0%	80.4%
Other	12,328	9,463	6,931	8,156	8,656	0.2%	0.1%	0.6%	0.8%	0.9%
Bond issuance costs	306,754	596,869	-	-	-	4.2%	5.2%	-	-	-
Payment to refunded bond escrow agent	5,612,102	9,778,939	-	-	-	77.7%	84.2%	-	-	-
<b>TOTAL DEBT SERVICE FUND EXPENDITURES AND OTHER FINANCING USES</b>	<b>7,307,503</b>	<b>11,691,318</b>	<b>1,310,838</b>	<b>1,219,299</b>	<b>1,210,595</b>	<b>101.2%</b>	<b>100.7%</b>	<b>110.7%</b>	<b>119.5%</b>	<b>119.9%</b>
<b>DEFICIENCY OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES UNDER EXPENDITURES AND OTHER FINANCING USES</b>	<b>\$ (83,992)</b>	<b>\$ (81,255)</b>	<b>\$ (126,782)</b>	<b>\$ (199,171)</b>	<b>\$ (201,078)</b>	<b>-1.2%</b>	<b>-0.7%</b>	<b>-10.7%</b>	<b>-19.5%</b>	<b>-19.9%</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	- (1)	- (1)	- (1)	- (1)	- (1)					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	- (1)	- (1)	- (1)	- (1)	- (1)					

(1) District is serviced by the City of Pflugerville.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2013

Complete District Mailing Address:	8500 Bluffstone Cove, Suite B-104 Austin, TX 78759
District Business Telephone Number:	(512) 451-6689
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	May 8, 2012
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
<b><u>Board Members:</u></b>				
John Wilder	Elected 05/2010 - 05/2014	\$ 1,050	\$ -	President
K.C. Willis	Elected 05/2010 - 05/2014	\$ 750	\$ -	Vice-President
Rhiannan Oxos	Appointed 04/2012 - 05/2016	\$ 600	\$ -	Secretary
James Driscoll	Elected 05/2010 - 05/2014	\$ 1,050	\$ -	Assistant Secretary
John Pfluger	Elected 05/2012 - 05/2016	\$ 900	\$ -	Assistant Secretary
<b><u>Consultants:</u></b>				
Blakeslee, Monzingo & Co.	01/26/2004	\$ 10,090	\$ -	Bookkeeper
Freeman & Corbett, L.L.P.	08/06/2002	\$ 20,244	\$ -	Attorney
Jones - Heroy & Associates, Inc.	12/05/2011	\$ 43,453	\$ -	Engineer
Maxwell Locke & Ritter LLP	04/18/2011	\$ 24,000	\$ -	Auditor
Southwest Securities	07/07/2005	\$ 2,394	\$ -	Financial Advisor
Travis County Tax Collector	08/25/2003	\$ -	\$ -	Tax Collector

\* *Fees of Office* are the amounts actually paid to a director during the district's fiscal year.

# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## OSI-1. PRINCIPAL TAXPAYERS SEPTEMBER 30, 2013

Taxpayer	Type of Property	Tax Roll Year		
		2013	2012	2011
Buffington VOHL 5A 6A 6B, Ltd.	Real Land & Improvements	\$ 1,199,800	\$ 2,526,770	\$ 4,399,852
BLD VOHL 6A-1 LLC	Real Land & Improvements	801,090	-	-
Megatel Homes II LLC	Real Land & Improvements	651,773	-	-
PH SPMSL, L.P.	Real Land & Improvements	551,863	1,024,375	-
Buffington Texas Classic	Real Land & Improvements	447,764	495,291	427,500
Newjon Enterprises Family	Real Land & Improvements	341,403	320,488	332,346
Simonelli, D. & E.	Real Land & Improvements	324,894	315,194	323,313
Myers, T.E.	Real Land & Improvements	323,237	275,787	-
Lux Blue LLC	Real Land & Improvements	321,774	-	-
Agrawal Rejeeva & Poonam	Real Land & Improvements	321,006	-	-
Truong, S.T. & E.K.	Real Land & Improvements	-	293,739	293,000
Davis, D.J.	Real Land & Improvements	-	290,223	-
Menott Management, L.L.C.	Real Land & Improvements	-	285,912	296,060
Buffington Texas Classic Homes, L.L.C.	Real Land & Improvements	-	284,307	-
Buffington Land, Ltd.	Real Land & Improvements	-	-	2,601,000
Buffington Texas	Real Land & Improvements	-	-	405,143
Secretary of Housing & Urban Development	Real Land & Improvements	-	-	294,656
Patschke, R.B. & J.	Real Land & Improvements	-	-	285,151
<b>Total</b>		<b>\$ 5,284,604</b>	<b>\$ 6,112,086</b>	<b>\$ 9,658,021</b>
Percent of Assessed Valuation		<b>3.1%</b>	<b>3.9%</b>	<b>6.1%</b>



# NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

## OSI-2. ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2013

Type of Property	Tax Roll Year					
	2013		2012		2011	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 168,621,330	97.3%	\$ 150,971,986	95.9%	\$ 146,443,903	93.1%
Vacant Lot	309,300	0.2%	242,125	0.2%	214,500	0.1%
Qualified Ag Land	170,955	0.1%	173,979	0.1%	173,979	0.1%
Acreage (Non-Ag)	125,403	0.1%	160,372	0.1%	160,645	0.1%
Commercial Personal Property	143,032	0.1%	167,728	0.1%	120,871	0.1%
Residential Inventory	3,477,919	2.0%	4,545,577	2.9%	8,894,795	5.7%
Exempt Property	274,325	0.2%	1,074,162	0.7%	1,228,389	0.8%
Total	<u>\$ 173,122,264</u>	<u>100%</u>	<u>\$ 157,335,929</u>	<u>100%</u>	<u>\$ 157,237,082</u>	<u>100%</u>

**APPENDIX B**  
**Form of Bond Counsel Opinion**

**FREEMAN & CORBETT**

PHONE (512) 451-6689

8500 Bluffstone Cove, Suite B-104  
Austin, Texas 78759

FAX (512) 453-0865

October 7, 2014

We have acted as Bond Counsel for Northeast Travis County Utility District (the "District") in connection with the issuance of bonds (the "Bonds") by the District described as follows:

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT UNLIMITED TAX BONDS, SERIES 2014A, dated October 1, 2014, in the aggregate principal amount of \$1,100,000, maturing at the times and bearing interest at the respective rates per annum as provided in the resolution authorizing issuance of the Bonds (the "Bond Resolution").

The Bonds maturing on or after September 1, 2021, are redeemable, in whole or in part, at the option of the District on September 1, 2020, or on any date thereafter, at a price of the par value thereof plus accrued interest to the date of redemption, in the manner provided in the Bond Resolution. Additionally, the Bonds maturing on September 1 in the years 2037 and 2039 are subject to mandatory redemption prior to maturity at the times and in the amounts provided in the Bond Resolution. The Bonds are registered as to both principal and interest and are transferable, registrable, and payable in the manner provided in the Bond Resolution.

WE HAVE ACTED AS BOND COUNSEL 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. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon certificates executed by officers, directors, agents and representatives of the District. We have assumed no responsibility with respect to the financial condition of the District or the reporting or disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds which contains certified copies of certain proceedings of the Board of Directors of the District, customary certificates of officers, agents and representatives of the District and other certified showings related to the authorization and issuance of the Bonds. We have also examined the executed Initial Bond No. I-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the District has been validly created and organized and that the transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective; that therefore the Bonds are valid and legally binding obligations of the District, and all taxable property in the District is subject to the levy of ad valorem taxes to pay same, without legal limitation as to rate or amount.

Ronald J. Freeman  
rfreeman@freemanandcorbett.com

Anthony S. Corbett  
tcorbett@freemanandcorbett.com

The District has reserved the right in the Bond Resolution to issue additional bonds payable from ad valorem taxes with any such pledge being on a parity with the pledge of ad valorem taxes pledged to pay the Bonds. The District has also reserved the right to issue revenue bonds, special project bonds and refunding bonds. Reference is made to the Bond Resolution for a complete description of the District's right to issue additional bonds.

The Bonds are obligations solely of the District and are not the obligations of the State of Texas or any other political subdivision or agency. The District's obligations with respect to the Bonds are subject to limitation by applicable federal bankruptcy laws and other laws which may from time to time affect the rights of creditors of political subdivisions.

We express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt or accrual of interest on, or disposition of the Bonds.

Our opinions are based on existing statutes, court decisions and other 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 this opinion to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any statutes, case law or other law that may hereafter occur or become effective.

**APPENDIX C**  
**Form of Special Tax Counsel Opinion**

LAW OFFICES

**McCALL, PARKHURST & HORTON L.L.P.**

600 CONGRESS AVENUE  
SUITE 1800  
AUSTIN, TEXAS 78701-3248  
TELEPHONE: (512) 478-3805  
FACSIMILE: (512) 472-0871

717 NORTH HARWOOD  
SUITE 900  
DALLAS, TEXAS 75201-6587  
TELEPHONE: (214) 754-9200  
FACSIMILE: (214) 754-9250

700 N. ST. MARY'S STREET  
SUITE 1525  
SAN ANTONIO, TEXAS 78205-3503  
TELEPHONE: (210) 225-2800  
FACSIMILE: (210) 225-2984

October 7, 2014

We have acted as Special Tax Counsel in connection with the issuance and sale by the Northeast Travis County Utility District (the "Issuer") of \$1,100,000 aggregate principal amount of its Unlimited Tax Bonds, Series 2014A (the "Bonds").

In connection with the issuance of the Bonds, we have reviewed the following:

- (a) the Resolution of the Issuer authorizing the issuance and sale of the Bonds;
- (b) schedules prepared by, and representations of, Public Finance Group LLC with respect to the issue price and yield of the Bonds and the purchase price;
- (c) the Federal Tax Certificate of the Issuer dated as of the date of this opinion;
- (d) the opinion of Freeman & Corbett as Bond Counsel dated as of the date of this opinion;
- (e) covenants of the Issuer regarding the use of the facilities financed with the proceeds of the Bonds and the use and investment of the proceeds of the Bonds and other funds of the Issuer; and
- (f) such other documents as we deem relevant and necessary in rendering this opinion.

IN OUR OPINION, except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code").

IN RENDERING THIS OPINION, we have relied upon the opinion of Freeman & Corbett referred to in subparagraph (d) above for authority that the Bonds are validly issued under applicable state and local laws and are payable from the proceeds of ad valorem taxes levied, without legal limit as to rate or amounts, on all taxable property located within the Issuer; and the representations, opinion, certificate and covenants referred to in subparagraphs (b), (e), and (f) above.

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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

Respectfully yours,

**APPENDIX D**  
**Specimen Municipal Bond Insurance Policy**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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



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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

1 World Financial Center, 27<sup>th</sup> floor  
200 Liberty Street  
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN