

OFFICIAL STATEMENT DATED NOVEMBER 21, 2019

NEW ISSUE-BOOK-ENTRY-ONLY

Ratings: BAM Insured: S&P “AA” (Stable Outlook); Moody’s Underlying: “A1”
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

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

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

\$4,930,000

NORTHTOWN MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2019

Dated Date: December 17, 2019

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

The \$4,930,000 Northtown Municipal Utility District Unlimited Tax and Revenue Refunding Bonds, Series 2019 (the “Bonds”) constitute obligations solely of Northtown Municipal Utility District (the “District”) and are not obligations of the State of Texas (the “State”); the City of Austin, Texas; Travis County, Texas; or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the date of delivery, currently anticipated to be December 17, 2019, and is payable March 1, 2020, and each September 1 and March 1 thereafter until the earlier of maturity or redemption. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY-SYSTEM.” The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

The Bonds are being issued to currently refund a portion of the District’s outstanding Unlimited Tax and Revenue Bonds, Series 2007, Unlimited Tax and Revenue Bonds, Series 2011, and Unlimited Tax and Revenue Refunding Bonds, Series 2012 to achieve debt service savings, and to pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”

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



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

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

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

The Bonds are offered when, as and if issued by the District, and accepted by the initial purchaser thereof named below (the “Underwriter”) subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Hunton Andrews Kurth LLP, Houston, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on December 17, 2019 (the “Date of Delivery”).

Hutchinson, Shockey, Erley & Co.

MATURITY SCHEDULE
(Due September 1)

CUSIP Prefix: 667052

Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2020	\$ 30,000	2.000%	1.490%	NG5	2026	\$ 560,000	4.000%	1.780%	NN0
***	***	***	***	***	2027	600,000	4.000%	1.890%	NP5
***	***	***	***	***	2028 ^(a)	625,000	3.000%	2.010%	NQ3
2023	220,000	3.000%	1.520%	NK6	2029 ^(a)	735,000	3.000%	2.150%	NR1
2024	505,000	3.000%	1.620%	NL4	2030 ^(a)	780,000	3.000%	2.210%	NS9
2025	515,000	4.000%	1.710%	NM2	2031 ^(a)	360,000	3.000%	2.250%	NT7

- (a) 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, 2028, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption."
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first allowable redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter (as herein defined). The yields may be changed at any time at the discretion of the Underwriter.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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 C – Specimen Municipal Bond Insurance Policy."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the District for \$5,305,484.28 (an amount equal to the principal amount of the Bonds, plus an original issue premium of \$426,170.60, less an Underwriter's discount of \$50,686.32).

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

Prices and Marketability

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility District

bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities.

Securities Laws

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

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

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

Any references to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement.

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual ("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 "A1" to the Bonds.

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

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 and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or

political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$552.8 million, \$130.8 million and \$422.1 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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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	Northtown Municipal Utility District (the "District") is a political subdivision of the State of Texas created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), adopted on August 14, 1985 and confirmed at an election held within the District on December 21, 1985, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage to the approximately 1,224.34 acres within its boundaries, all of which lie within Travis County, Texas. See "THE DISTRICT - General."
Location	The District is located in Travis County, approximately 15 miles northeast of Austin's central business district. The District, except for an area included in the right-of-way of Howard Lane which has been annexed by the City of Austin with the District's consent, lies entirely within the extraterritorial jurisdiction of the City of Austin and is situated adjacent to the city limits of the City of Pflugerville. Of the approximately 1,224.34 acres within the District, approximately 997.33 acres are developable. Access to the District is provided by Interstate Highway 35 and Farm to Market Road 1825. See "THE DISTRICT – Location."
The Developers	The developers currently active within the District are Village @ Northtown Ltd. ("Village"), a Texas limited partnership, and KB Home Lone Star LP ("KB Home"), a Texas limited partnership. Collectively, Village and KB Home may be referred to herein as the "Developers". See "THE DEVELOPERS - Description of Developers."
Status of Development	The District contains approximately 997.33 developable acres, of which approximately 765.84 acres (or 76.79% of the developable acres) have been developed with utility facilities as twelve residential subdivisions containing a total of 3,114 platted single family home lots and 144 single family condominium lots as of October 1, 2019. As of the same date, the District contained a total of 2,966 completed single family homes (of which 2,946 homes were occupied), 12 homes under construction, and 136 vacant developed single family lots. The District also contains 144 completed single-family condominiums called Parkside at Northtown. Additionally, the District contains a convenience store on approximately 1.4 acres, a Pflugerville Independent School District elementary school on approximately 12.53 acres, and the following multi-family developments: Villas at Techridge (350 multi-family apartment units); Lakewood at Tech Ridge (336 multi-family apartment units); and the Oaks at Techridge, (336 multi-family apartment units). See "THE DISTRICT – Historical and Current Status of Development."
Homebuilder.....	The homebuilder currently active within the District is KB Home. The homes being built by KB Home range in price from \$251,995 to \$305,995, with square footage ranging from 1,353 to 2,898. See "THE DEVELOPERS – Homebuilder within the District."

THE BONDS

Description	The Bonds in the aggregate principal amount of \$4,930,000 mature serially in varying amounts on September 1 of each of the years 2020 and 2023 through 2031, inclusive, as set forth on the inside cover page hereof. Interest accrues from the Date of Delivery, currently anticipated to be December 17, 2019, at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2020 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."
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Redemption	Bonds maturing on and after September 1, 2028 are subject to redemption prior to maturity at the option of the District in whole or from time to time in part on September 1, 2027, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of 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." The Bonds are further payable from and are secured by a pledge of certain Net Revenues (described herein), if any, the District receives in connection with the water, wastewater and drainage system (the "System") of the District, unless and until such pledge and lien are terminated as described herein (see "THE BONDS - Source of and Security for Payment"). It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contributions to the District's debt service requirements. The Bonds are obligations solely of the District and are not obligations of the City of Austin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District. See "THE BONDS - Source of and Security for Payment."
Payment Record	The District has never defaulted in the timely payment of the principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."
Authority for Issuance	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapter 1207 of the Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds; and a pricing certificate to be executed by the pricing officer designated in the order (the order and pricing certificate are collectively referred to herein as the "Bond Order"). See "THE BONDS - Authority for Issuance."
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to: (i) currently refund a portion of the District's outstanding Unlimited Tax and Revenue Refunding Bonds, Series 2007, Unlimited Tax and Revenue Bonds, Series 2011, and Unlimited Tax and Revenue Refunding Bonds, Series 2012 to achieve debt service savings; and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING – The Refunded Bonds," and "– Estimated Sources and Uses of Funds."
Bonds Authorized But Unissued.....	At an election held within the District on December 21, 1985, voters within the District authorized a total of \$69,443,000 in unlimited tax and revenue bonds for water, wastewater, and drainage facilities. To date, the District has issued nine installments of unlimited tax and revenue bonds in the aggregate principal amount of \$34,230,000 to acquire utility facilities, and \$35,213,000 in bonds remain authorized but unissued. See "FINANCIAL STATEMENT – Unlimited Tax and Revenue Bonds Authorized but Unissued", "Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt." In addition, District voters authorized the issuance of \$97,670,000 in contract revenue bonds, none of which have been issued and none of which are currently expected to be issued in the future. Under State law, the District may additionally issue bonds to refund outstanding bonds in an amount not exceeding the principal amount of the refunded bonds. See "THE DISTRICT – City of Austin Consent Agreement." See "FINANCIAL STATEMENT - Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual ("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 "A1" 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 2019 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
General Counsel.....	Armbrust & Brown, PLLC, Austin, Texas.
Bond Counsel.....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
Financial Advisor.....	Public Finance Group LLC, Austin, Texas.
Verification Agent.....	Public Finance Partners, LLC, Minneapolis, Minnesota.
Paying Agent/Registrar and Escrow Agent	UMB Bank, N.A., Austin, Texas

INVESTMENT 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)

2019 Certified Assessed Valuation		\$804,270,491	(a)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 17,785,000	(b)
Ratio of Gross Debt to 2019 Certified Assessed Valuation		2.21%	
2019 Tax Rate			
	Debt Service	\$ 0.2610	
	Maintenance	<u>0.3640</u>	
Total 2019 Tax Rate		<u>\$ 0.6250</u>	(c)
Debt Service Fund Balance (as of November 20, 2019)		\$ 817,098	(d)
Percentage of current tax collections - (Tax Year 2018)		99.63%	(e)
Percentage of total tax collections - (Tax Years 1997-2018)		99.50%	(e)
Average Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Average Requirement") (2020-2030, inclusive)		\$ 1,871,447	
Tax Rate required to pay Average Requirement based upon 2019 Certified Assessed Valuation at 95% collections		\$ 0.25	/ \$100 AV
Maximum Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Maximum Requirement") (2020)		\$ 2,213,302	
Tax Rate required to pay Maximum Requirement based upon 2019 Certified Assessed Valuation at 95% collections		\$ 0.29	/ \$100 AV
Number of active connections as of November 1, 2019			
Single Family - Occupied		2,948	
Single Family - Vacant		18	
Condominiums - 144 completed units		2	
Multi-Family (1,022 total units/975 occupied)		4	
Other ^(f)		<u>75</u>	
Total Number of Active Connections		3,047	
Estimated Population as of November 1, 2019		13,260	(g)

- (a) Assessed valuation of the District as of January 1, 2019 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Includes the Bonds, excludes the Refunded Bonds.
- (c) The District levied a 2019 tax rate of \$0.625 in September 2019. See "TAXING PROCEDURES."
- (d) Unaudited as of November 20, 2019. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (e) See "TAX DATA – Tax Collections."
- (f) Includes Vacant Irrigation (1), Commercial (2), Builder Connections (32), Schools (2), Fire Hydrants (3), District connections (9), and Irrigation connections (26).
- (g) Based upon 3.5 residents per occupied single family home and completed condominium, and 2.5 residents per occupied multi-family unit. According to the leasing staffs of the multi-family complexes, of the 1,022 multi-family units, 975 units are occupied as of September 1, 2019.

OFFICIAL STATEMENT
relating to
\$4,930,000
Northtown Municipal Utility District
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Northtown Municipal Utility District (the “District”) of its \$4,930,000 Unlimited Tax and Revenue Refunding Bonds, Series 2019 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District on August 27, 2019 and a pricing certificate to be executed by the pricing officer designated in the order (the order and pricing certificate are collectively referred to herein as the “Bond Order”), Article XVI, Section 59 of the Texas Constitution and general laws of the State of Texas (the “State”) including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

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

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

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

PLAN OF FINANCING

Purpose

Proceeds from the sale of the Bonds will be used to: (i) currently refund a portion of the District’s outstanding Unlimited Tax and Revenue Bonds, Series 2007, Unlimited Tax and Revenue Bonds, Series 2011, and Unlimited Tax and Revenue Refunding Bonds, Series 2012 to achieve debt service savings, and (ii) to pay the costs of issuing the Bonds.

The Refunded Bonds

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

Year	Series 2007	Series 2011	Series 2012	Total
2023	\$ -	\$ -	\$ 240,000	\$ 240,000
2024	-	260,000	265,000	525,000
2025	-	275,000	260,000	535,000
2026	-	295,000	285,000	580,000
2027	-	310,000	305,000	615,000
2028	-	330,000	305,000	635,000
2029	400,000	350,000	-	750,000
2030	430,000	370,000	-	800,000
2031	-	390,000	-	390,000
	\$ 830,000	\$ 2,580,000	\$ 1,660,000	\$ 5,070,000
Redemption Date:	1/21/2020	1/21/2020	1/21/2020	

Remaining Outstanding Bonds

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

Year	Series 2007	Series 2011	Series 2012	Series 2014	Series 2015	Series 2017	The Bonds	Total
2020	\$ -	\$ 205,000	\$ 220,000	\$ 270,000	\$ 340,000	\$ 585,000	\$ 30,000	\$ 1,650,000
2021	-	220,000	220,000	290,000	340,000	425,000	-	1,495,000
2022	-	230,000	240,000	290,000	365,000	450,000	-	1,575,000
2023	-	245,000	-	315,000	365,000	460,000	220,000	1,605,000
2024	-	-	-	335,000	390,000	475,000	505,000	1,705,000
2025	-	-	-	335,000	415,000	500,000	515,000	1,765,000
2026	-	-	-	355,000	440,000	240,000	560,000	1,595,000
2027	-	-	-	375,000	460,000	-	600,000	1,435,000
2028	-	-	-	395,000	480,000	-	625,000	1,500,000
2029	-	-	-	-	505,000	-	735,000	1,240,000
2030	-	-	-	-	525,000	-	780,000	1,305,000
2031	-	-	-	-	555,000	-	360,000	915,000
	<u>\$ -</u>	<u>\$ 900,000</u>	<u>\$ 680,000</u>	<u>\$ 2,960,000</u>	<u>\$ 5,180,000</u>	<u>\$ 3,135,000</u>	<u>\$4,930,000</u>	<u>\$ 17,785,000</u>

Escrow Agreement

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

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

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

Sources and Uses of Funds

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

Sources of Funds:

Par Amount of Bonds	\$4,930,000.00
Original Issue Premium	426,170.60
Total Sources of Funds	\$5,356,170.60

Uses of Funds:

Escrow Deposit	\$5,132,283.35
Costs of Issuance (includes municipal bond insurance premium)	172,437.28
Underwriter’s Discount	50,686.32
Deposit to Debt Service Fund (Rounding Amount)	763.65
Total Uses of Funds	\$5,356,170.60

THE BONDS

General Description

The Bonds will bear interest from the Date of Delivery, currently anticipated to be December 17, 2019 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, 2020 and each September 1 and March 1 thereafter until maturity and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

Redemption

Optional Redemption . . . The Bonds maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2027, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds or portions thereof prior to maturity a written notice of such optional 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 optional 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 maturities of the Bonds, or sinking fund installments in the case of Term Bonds, to be redeemed shall be selected by the District, if less than all of the Bonds of a particular maturity or sinking fund installments in the case of the Term Bonds are to be redeemed; the Paying Agent is required to select the Bonds of such maturity to be redeemed by lot or other customary random method in accordance with DTC Procedures.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed has 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.

Selection of Bonds for Redemption

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

DTC Redemption Provision

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

Termination of Book-Entry-Only System

The District is initially utilizing the Book-Entry-Only System of DTC. 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 be, 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 (15th) calendar day of the month (whether or not a business day) preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation,

execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

At an election held within the District on December 21, 1985, voters within the District authorized a total of \$69,443,000 in principal amount of unlimited tax and revenue bonds for water, wastewater, and drainage facilities. The District has issued nine series of new money unlimited tax and revenue bonds and has \$35,213,000 remaining in authorized but unissued unlimited tax and revenue new money bonds. In addition, District voters authorized the issuance of \$97,670,000 in contract revenue bonds, none of which have been issued and none of which are expected to be issued in the future.

The Bonds constitute the seventh installment of refunding bonds issued by the District. The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution, the terms and provisions of the Bond Order, the general laws of the State of Texas, including Chapter 1207 of the Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended.

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

Source of and Security for Payment

The Bonds are payable as to principal and interest from the proceeds of an 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." The Bonds are further payable from and are secured by a pledge of certain Net Revenues (defined below), if any, of the System (defined below) and subject to the conditions described below.

Tax Pledge... The Board covenants in the Bond Order that, while any of the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax, against 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 paying 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 as its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes and Net Revenues when and if the City of Austin dissolves the District and assumes all debts and liabilities of the District.

Net Revenues Pledge... The Bonds are further secured by a first lien on and pledge of certain Net Revenues, if any, of the District's water, wastewater and drainage system which does not include any facilities constructed with proceeds of any Special Project Bonds (as defined in the Bond Order) issued by the District (collectively, the "System"). "Net Revenues" are defined by the Bond Order as net revenues received from the operation of the System after deduction of reasonable costs of administration, efficient operation and adequate maintenance, provided however, the term "Net Revenues" shall not include any revenues, now or hereafter pledged or contracted to be pledged by the District pursuant to a contract authorized by law under which contract such revenues are to be pledged to the payment of bonds issued by the District for any special project. Any Net Revenues remaining after payment of debt service on the Bonds is available to the District for any lawful purpose. The Net Revenues are entirely dependent upon sales of water and sewer services to residents and users in the District. **It is not expected that the operation of the System will produce Net Revenues sufficient to make any substantial contributions to the District's debt service requirements.**

Payment Record

The District has never defaulted on the timely payment of the principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT – Outstanding Bonds."

Flow of Funds

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

The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Underwriter, the amount received from proceeds of the Bonds representing accrued interest on the Bonds, if any, (ii)

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

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

Defeasance of Outstanding Bonds

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

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 set forth above, and all income from such Defeasance Securities received by the Paying Agent or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be remitted to the District or deposited as directed in writing by the District.

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

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments,

notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

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

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

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

Record Date

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

Issuance of Additional Debt

At an election held within the District on December 21, 1985, the District's voters authorized the issuance of an aggregate principal amount of \$69,443,000 of unlimited tax and revenue bonds for the construction of the District's water, sanitary sewer and drainage systems. The District has previously issued: \$1,000,000 Wastewater and Sewer System Unlimited Tax and Revenue Bonds, Series 1994 (the "Series 1994 Bonds"); \$995,000 Unlimited Tax and Revenue Bonds, Series 1997 (the "Series 1997 Bonds"); \$2,100,000 Unlimited Tax and Revenue Bonds, Series 2001 (the "Series 2001 Bonds"); \$3,510,000 Unlimited Tax and Revenue Bonds, Series 2002 (the "Series 2002 Bonds"); \$3,770,000 Unlimited Tax and Revenue Bonds, Series 2003 (the "Series 2003 Bonds"); \$2,505,000 Unlimited Tax and Revenue Refunding Bonds, Series 2004 (the "Series 2004 Bonds"); \$4,500,000 Unlimited Tax and Revenue Bonds, Series 2006 (the "Series 2006 Bonds"); \$6,005,000 Unlimited Tax and Revenue Bonds, Series 2007 (the "Series 2007 Bonds"); \$7,560,000 Unlimited Tax and Revenue Bonds, Series 2009 (the "Series 2009 Bonds"); \$5,895,000 Unlimited Tax and Revenue Refunding Bonds, Series 2010 (the "Series 2010 Bonds"); \$4,790,000 Unlimited Tax and Revenue Bonds, Series 2011 (the "Series 2011 Bonds"); \$3,850,000 Unlimited Tax and Revenue Refunding Bonds, Series 2012 (the "Series 2012 Bonds"); \$3,340,000 Unlimited Tax and Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds"); \$5,635,000 Unlimited Tax and Revenue Refunding Bonds, Series 2015 (the "Series 2015 Bonds"); and \$3,710,000 Unlimited Tax and Revenue Refunding Bonds, Series 2017 (the "Series 2017 Bonds"). All of the previously issued series of bonds are collectively referred to as the "Previously Issued Bonds." See "FINANCIAL STATEMENT – Unlimited Tax and Revenue Bonds Authorized but Unissued" and "THE BONDS."

The District may issue additional bonds, with the approval of the TCEQ and the City of Austin, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." The District's voters have authorized the issuance of \$69,443,000 of unlimited tax and revenue bonds for the

purpose of providing water, wastewater and drainage facilities and to reimburse developers for certain construction costs in connection with such facilities, of which \$35,213,000 of unlimited tax and revenue new money bonds remain authorized but unissued. Additionally, the District's voters have authorized \$97,670,000 in contract revenue bonds, all of which remain authorized but unissued and which are currently not expected to be issued. Under State Law, the District may additionally issue bonds to refund outstanding bonds in an amount not exceeding the principal amount of the refunded bonds. The Bond Order imposes no limitation on the amount of additional bonds which may be issued by the District if so authorized by the voters in the District and approved by the District, the TCEQ and the City of Austin. The District anticipates issuing additional bonds from existing authorization to repay eligible reimbursements to developers in the District. As of the date hereof, the District's Engineer estimates that approximately \$5,869,700 of reimbursable construction costs remain owing and payable to the Developers pursuant to various reimbursement agreements, as hereinafter described. In addition, the District is replacing existing force mains within the District, which are expected to cost \$6,500,000.

The District is also authorized by statute to engage in fire-fighting activities, including the issuance of bonds for such purpose. Before the District could issue ad valorem tax bonds for fire-fighting activities, the following actions would be required: (i) approval of the fire plan and issuance of bonds by the TCEQ; (ii) authorization of a detailed fire plan and bonds for such purposes by the qualified voters in the District; (iii) amendments to the existing City of Austin ordinance specifying the purposes for which the District may issue bonds; and (iv) approval of bonds by the Attorney General of Texas. The Board has not considered calling an election for approval of a fire plan or related bonds at this time. Issuance of bonds for fire-fighting activities could dilute the investment security for the Bonds. Currently, fire protection and emergency services are provided by the Travis County Emergency Services District No. 2. The District does not have any current intention to engage in fire-fighting activities.

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code authorize certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities. The District has not called an election to authorize bonds for such purpose but may consider doing so in the future; however, the issuance of bonds for parks and recreational facilities would require City of Austin approval due to limitations contained in the Consent Agreement. See "THE DISTRICT – City of Austin Consent Agreement."

Contract Revenue Bonds

On January 6, 1986, the District and the City of Austin, Texas (the "City" or "Austin")) entered into a Utility Construction Contract (the "Contract") governing the issuance of the \$97,670,000 contract revenue bonds authorized by the voters of the District on December 21, 1985 (the "Contract Revenue Bonds"). Any Contract Revenue Bonds issued would be special obligations of the District secured by a first lien on and pledge of Contract Payments (as hereinafter defined) to be made by the City to the trustee for the Contract Revenue Bonds pursuant to the Contract, as amended, as authorized under Section 552.014 of the Texas Local Government Code, as amended, formerly Article 1109j, Vernon's Annotated Texas Civil Statutes, as amended. The Contract Payments would constitute a special revenue obligation of the City payable from the net revenues of the City's waterworks and sewer system, subject to a prior lien on and pledge of the City's Prior Lien Revenue Bonds and on a parity with the City's Subordinate Lien Revenue Bonds.

Under the terms of the Contract, the District agreed to issue bonds to finance the acquisition and construction of additions, extensions and improvements to the sanitary sewer system of the City, and the City agreed to make payments sufficient to meet the debt service requirements on such bonds (the "Contract Payments"). Upon completion of construction, the City would own and operate the facilities, but would reserve adequate capacity to serve the District. The District agreed to reimburse the City for the District's pro rata share of the construction costs (approximately 16.13%). The District's payments to the City would be payable from an ad valorem contract tax levied upon all taxable property within the District and additionally secured by a subordinate lien on the Net Revenues of the District's System. The Contract is in effect until the Contract Revenue Bonds are paid, not to exceed 40 years.

Subsequent to execution of the Contract, a number of the water and wastewater projects contemplated by the Contract were funded through the City's capital improvement fund. As a result, on August 14, 1986, the City and the District entered into a First Amendment to the Contract which, among other things, provides that the provisions of the Contract requiring the District to issue Contract Revenue Bonds to pay for certain water and wastewater projects will take effect only if the City elects to require the District to finance a portion of such project costs through the issuance of Contract Revenue Bonds. As of the date hereof, the City has not made an election to require the District to issue the Contract Revenue Bonds and it is currently not anticipated that any Contract Revenue Bonds will be issued.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, 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, 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 that might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

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

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

Consolidation

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

Annexation

Except for an area included in the right-of-way of Howard Lane, which has been annexed by the City with the District's consent, the District is located entirely within the extraterritorial jurisdiction of the City. The Texas Legislature enacted significant changes to annexation laws by passing Senate Bill 6 during the 85th Texas Legislature First Special Session and House Bill 347 during the 86th Texas Legislature Regular Session (the "Annexation Laws"). Pursuant to changes in general law made by these bills, the City may annex the District only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the creation. Changes implemented by the Annexation Laws could interfere with future efforts of the City to annex land within the District. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District. See "THE DISTRICT – Strategic Partnership Negotiations."

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

Alteration of Boundaries

Under Texas law, the District may alter its boundaries to: 1) upon satisfying certain conditions, annex additional territory; and 2) under certain circumstances, exclude land which is non-agricultural or cannot be irrigated if land which can be irrigated of at least equal value and acreage is annexed. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

Approval of the Bonds

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

Amendments to the Bond Order

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of 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 United States 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 securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 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 of line dealers, banks, trust companies, and clearing corporation that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings' rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn

to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction.

Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the 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 Paying Agent/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 the Bonds unless authorized by a Direct Participant in accordance with DTC's 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 the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, interest and principal 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, 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, interest and principal 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. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only 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 the District takes no responsibility for the accuracy thereof.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Travis County, Texas; the City of Austin, Texas or any other political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District, and by a pledge of and lien on certain Net Revenues, if any, of the System. It is not expected any Net Revenues will be available to contribute to the payment of the Bonds. 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 accumulate or 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 Developers 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. If interest rates rise, development activity within the District may be negatively impacted. 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.

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

The competitive position of the Developers 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 Developers will be implemented or, if implemented, will be successful.

Dependence Upon Developer, Lot Owners and Builders: The growth of the tax base is dependent upon additional construction of homes and commercial development within the District. The Developers are under no obligation to continue to market developed tracts of land for improvements. Thus, the furnishing of information related to proposed development by the Developers should not be interpreted as such a commitment by the Developers. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers to implement any plan of development. Furthermore, there is no restriction on the Developers' right to sell their land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the

Developers. Failure to construct taxable improvements on developed lots and tracts and failure of the Developers to develop their land would restrict the rate of growth of taxable value in the District. See "THE DISTRICT – Historical and Current Status of Development" and "THE DEVELOPERS."

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 and commercial development 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 developers and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPERS" and "TAX DATA - Principal Taxpayers – Table 12."

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2019 Certified Assessed Valuation of the District is \$804,270,491 (see "FINANCIAL STATEMENT – Assessed Value – Table 4"). After issuance of the Bonds, the Maximum Requirement will be \$2,213,302 (2020) and the Average Requirement will be \$1,871,447 (2020 through 2030, inclusive). Assuming no increase or decrease from the 2019 Certified Assessed Valuation, the issuance of no additional debt and no other funds available for the payment of debt service, tax rates of \$0.29 and \$0.25 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

Bond Insurance Risks

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

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any 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 issuer which is recovered by the issuer 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 absence such prepayment by the Issuer 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 claims paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See "MUNICIPAL BOND RATINGS" and "BOND 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 Underwriter have made independent investigations 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 “BOND 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.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure of 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 governmental immunity, bankruptcy, reorganization and other similar laws affecting the enforcement of creditors’ rights generally.

Registered Owners’ Remedies

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

Bankruptcy Limitation to Registered Owners’ Rights

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

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

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

Effect of FIRREA on Tax Collections

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Environmental Regulation

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

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

In 1997, the EPA adopted the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the "2008 Ozone Standard"). The Austin

area, consisting of Williamson, Hays, Travis, Bastrop and Caldwell Counties (the “Austin Area”) was not designated “nonattainment” under the 2008 Ozone Standard.

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

Should the Austin Area fail to achieve attainment under EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

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

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

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

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

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

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

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal will officially become final sixty (60) days after its publication in the Federal Register.

On December 11, 2018, the EPA and USACE released a proposed replacement definition of “waters of the United States.” The proposed definition outlines six (6) categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features;

and waste treatment systems. The agencies took comments on the proposal for sixty (60) days after publication in the Federal Register, which occurred on February 14, 2019, but the proposed rule has not been finalized.

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

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate storm sewer systems (“MS-4”). The District does not currently meet the criteria that require compliance with the MS-4 permit. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Forward-Looking Statements

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

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

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

Future Debt

The District has reserved the right in the Bond Order to issue the remaining \$35,213,000 authorized but unissued unlimited tax and revenue 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 \$35,213,000 unlimited tax and revenue 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, the TCEQ and the City of Austin. In the opinion of the District’s engineer, the remaining authorization should be sufficient to complete the development in the District. If the District does issue future bonds or any other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds. As of the date hereof, the District’s Engineer estimates that approximately \$5,869,700 of reimbursable construction costs are owing and payable to the Developers pursuant to various binding reimbursement agreements. In addition, the District is replacing existing force mains, which are expected to cost \$6,500,000. See “THE SYSTEM.”

The District does not currently anticipate the issuance of the full principal amount of authorized but unissued unlimited tax and revenue bonds (\$35,213,000), but the District retains the legal right to issue the full amount of authorized but unissued bonds subject to the approval of the TCEQ and the City of Austin. In addition, District voters authorized the issuance of \$97,670,000 in contract revenue bonds, none of which have been issued and none of which are currently expected to be issued in the future. The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ 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. See "THE BONDS -Issuance of Additional Debt" and "FINANCIAL STATEMENT - Unlimited Tax and Revenue Bonds Authorized But Unissued."

Future and Proposed Legislation

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

Drought Conditions

Central Texas, like other areas of the State, is experiencing drought conditions. The District has adopted a water conservation plan and currently has implemented stage 1 water restrictions for residents of the District. The City provides water to the District in amounts sufficient to service the residents of the District, however, if drought conditions continue, water usage, revenues and rates could be impacted. Any increase in the wholesale rates paid by the District impact District expenses and future water revenues received by the District.

Storm Water

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

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LOCATION MAP



THE DISTRICT

General

The District was created by an order of the Texas Water Commission, now known as the Texas Commission on Environmental Quality (the "Commission" or "TCEQ"), adopted on August 14, 1985 and a confirmation election held within the District on December 21, 1985, and operates as a municipal utility district pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of the State of Texas applicable to municipal utility districts. The District is subject to the continuing supervision of the TCEQ and, except for an area included in the right-of-way of Howard Lane which has been annexed by the City with the District's consent, is located entirely within the extraterritorial jurisdiction of the City of Austin. See "THE BONDS - Source of and Security for Payment – Dissolution."

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. If approved by the voters and the TCEQ, the District may establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code authorize certain districts, such as the District, to issue bonds payable from ad valorem taxes, subject to voter approval and the approval of the TCEQ, to pay for the development and maintenance of park and recreational facilities. The District does not currently have voter authorization to issue bonds for such purposes and, although it could consider calling an election to authorize bonds for such purpose in the future, the issuance of bonds for parks and recreational facilities would require City of Austin approval due to limitations contained in the Consent Agreement, as described below. See "THE BONDS – Issuance of Additional Debt".

The TCEQ exercises continuing supervisory jurisdiction over the District. Under the Consent Agreement, as defined below, which was required in order to obtain the City's consent to creation of the District, the District agreed to observe certain requirements of the City of Austin which, among other requirements, limit the purposes for which the District may sell bonds for the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities; require approval by the City of Austin of District construction plans; and permit connections only to single family lots and commercial or multi-family commercial platted reserves which have been approved by the Planning Commission of the City of Austin. Construction and operation of the District's System is subject to the regulatory jurisdiction of additional governmental agencies. See "THE SYSTEM."

City of Austin Consent Agreement

In 1984, the City Council of the City passed Ordinance No. 84-0503, which granted the City's consent to creation of the District and approved the "Agreement Concerning Creation and Operation of Northtown Municipal Utility District" (the "Consent Agreement"). Following creation of the District by the TCEQ, the District joined in the Consent Agreement on January 6, 1986. The Consent Agreement sets forth terms and conditions regarding, among other things, the issuance of bonds by the District, the water supply and wastewater treatment services to be provided to the District by the City, limitations on service by the District, and land use and development within the District. The Consent Agreement has been amended by agreements between the City and the District dated April 16, 1990, December 1, 1993, November 30, 1994, August 17, 1997, February 23, 2000, July 2, 2003, and October 2016, and the land plan contained in the Consent Agreement has been amended several times at the request of developers within the District, with the approval of the City and the District, to address changing development plans. The following is a summary of certain of the terms and conditions of the Consent Agreement, as amended, but it is not a complete description and is qualified by reference to the Consent Agreement and its amendments, copies of which are available from the District.

In the Consent Agreement, the City has contracted to provide water required for commercial and domestic purposes by users within the District and to receive, treat, and dispose of all sewage collected by the District and delivered to the City's sewer trunk lines. The District is a wholesale water and wastewater customer of the City for all areas of the District except a small area of the District that is provided wastewater service directly by the City under the terms of the "Interlocal Agreement Regarding the Provision of Retail Water and Wastewater Service to the Lake at Tech Ridge Development" dated February 13, 2006 (the "Tech Ridge Interlocal Agreement"). See "THE SYSTEM".

Under the Consent Agreement, the District receives wholesale services from the City on terms similar to those applicable to service to other municipal utility districts served by Austin. The Consent Agreement provides that Austin will not be liable for a failure to provide water and wastewater service if the failure results from conditions outside of Austin's control. In addition, Austin has the right to limit service to the District on the same basis and to the same extent that Austin limits service to other customers. In April 2019, the City filed a request with the Public Utility Commission of Texas ("PUC") to increase the wholesale water and wastewater rates charged by the City to the District as well as other wholesale customers. A PUC order from a prior rate case that was filed by the District, together with several other wholesale customers in late 2013, requires

the City to obtain the PUCT's approval before it may increase the wholesale water and wastewater rates charged to the District. At this time, the District believes the City's proposed rates are in excess of the cost of services being provided in violation of Texas law. The State Office of Administrative Hearings ("SOAH") is expected to conduct a hearing on the matter in December 2019, and the PUCT is expected to issue a final order on the appropriateness of the City's proposed rate increase in May 2020.

The Consent Agreement provides that each developer will serve as project manager for the construction of the portion of facilities constituting the District's System that is being funded by the developer. Plans for all District facilities are subject to review and approval by the TCEQ and Austin prior to construction.

The District may not serve customers outside of its boundaries and may not annex additional land into the District without the prior approval of Austin. In the Tech Ridge Interlocal Agreement, the City and the District agreed that, with respect to a development which is located partially within the District and partially within the City's service area outside of the District, the City would serve an area located within the District and the District would serve an area located outside of the District and in Austin's service area of approximately the equivalent size. This agreement was entered into in order that lots within this area would be served by a single service provider.

The District and the City of Austin have agreed to certain land use controls, including land use and density limitations, for property located within the boundaries of the District. Prior to development, the land in the District must be subdivided in accordance with State law and City of Austin ordinances.

Strategic Partnership Negotiations

Section 43.0751 of the Texas Local Government Code permits cities and districts to negotiate and enter into written agreements providing terms and conditions under which the land within a district will be annexed, services will be provided and funded, and the district will continue either in its then-existing form or as a limited district that provides only specified functions. At this time, no negotiations between Austin and the District on the terms of any possible strategic partnership agreement or on the creation of any limited district have occurred.

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Management of the District

Board of Directors

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

Name	Position	Length of Service	Term Expires November
Brenda Richter	President	19 years	2022
Robin Campbell	Vice President	19 ½ years	2020
Christopher Capers	Secretary	4 ½ years	2022
R. Lee Hill	Assistant Secretary	1 ½ years	2022
Felix T. Amaro, Jr.	Treasurer	7 ½ years	2020

Consultants

Tax Assessor/Collector

Land and improvements in the District are appraised for tax purposes 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 District contracts with Crossroads Utility Services, Inc. ("Crossroads") to serve as operator for the District. Crossroads serves in a similar capacity for 33 other special districts in the Austin metropolitan area.

Engineer

The District's consulting engineer is 360 Professional Services, Inc. (the "Engineer").

Bookkeeper

The District's bookkeeper is Bott & Douthitt, PLLC ("Bott & Douthitt"). Bott & Douthitt serves as bookkeeper to 53 other special districts.

Financial Advisor

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

Bond Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel 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 has engaged Armbrust & Brown, PLLC ("A&B") as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

The District is located in Travis County, approximately 15 miles northeast of Austin's central business district. The District lies wholly within the extraterritorial jurisdiction of the City of Austin and is adjacent to the city limits of the City of Pflugerville. The District is comprised of approximately 1,224.34 acres of which approximately 997.33 acres are developable under current development regulations. Access to the District is provided by Interstate Highway 35 and Farm to Market Road 1825.

Historical and Current Status of Development

Development within the District commenced in 1986 when Milburn Homes ("Milburn"), a predecessor to D.R. Horton, Inc. ("Horton"), developed approximately 58.57 acres of land as Northtown, Sections 1, 2, 4, 5A, 7 and 9, containing 359 single family lots.

On December 13, 1993, Dessau Road, Limited Partnership ("DRLP") purchased approximately 71 undeveloped acres and developed approximately 33.62 acres as Northtown West, Section 1, containing 167 single family lots.

In 1994, SVWW Harris Ridge Limited Partnership ("SVWW") purchased approximately 72 undeveloped acres within the District, and 44.69 acres of which has been developed as Wildflower, Sections 1, 2, 3, 4 and 5, containing 225 single family lots.

On June 30, 1999, Pulte Homes of Texas, L.P. ("Pulte") purchased approximately 69.59 acres within the District, all of which has been developed as Settlers Meadow, Sections 1, 2, 3 and 4, containing 295 single family lots.

Continental Homes of Texas, L.P., which is owned by Horton, developed approximately 234.48 acres as Gaston Sheldon (959 single family lots), approximately 48.63 acres as Brookfield Estates I (182 single family lots), approximately 62.25 acres as Brookfield Estates II (319 single family lots), approximately 19.77 acres as Parkside at Northtown (144 multi-family units) and approximately 22.29 acres as Parkway at Northtown (97 single family lots).

In November, 2002, KB Home Lone Star L.P. ("KB Home") purchased and developed approximately 8.19 acres within the District as Northtown Park, Section 8, containing 57 lots. KB Home subsequently purchased and developed approximately 79.99 acres within the District as The Lakes at Northtown, containing 306 lots.

On September 6, 2005, NWC Howard & I-35 Ltd. ("NWC") purchased approximately 138.98 acres of land including approximately 118.49 acres located within the District. Subsequently, on March 22, 2007, NWC sold 90.54 acres to Hanna/Magee LP #1. NWC sold its remaining 48.44 acres to Techridge Spectrum BC L.P. ("Techridge"), and no longer owns any property within the District. Techridge subsequently sold 16.35 acres to The Morgan Group ("Morgan"), which developed the 16.35 acres as The Villas at Techridge, containing 350 multi-family units, and retained ownership of the remaining 32.09 acres, of which approximately 11.60 acres were located within the District. In 2013, Techridge developed the 11.60 acres as The Lakes at Techridge, containing 336 multi-family units.

On June 30, 2000 and September 27, 2000, respectively, Village @ Northtown Ltd. ("Village") purchased three tracts of land within the District totaling approximately 327 acres, including approximately 263 acres from the Pfluger Family Limited Partnership ("PFLP"), the remaining approximate 27 undeveloped acres owned by SVWW, and the remaining approximate 37 undeveloped acres owned by DRLP. Of the total 327 acres owned by Village, approximately 270 acres are developable. Village designed a master plan for the development of its 270 developable acres, including single family detached and single family attached residential units, multifamily residential units, office, retail/commercial and public use, including a greenbelt area, and informed the District that it planned to subdivide its land, provide infrastructure and sell tracts to other developers and end users. Pursuant to an agreement with Travis County, Village has caused the construction of the extensions of two arterial roadways, Wells Branch Parkway and Heatherwilde Boulevard, through the District, together with certain associated utility mains and stormwater detention facilities. These improvements, which are now complete, were necessary for development of the Village tracts. Village and the District have executed a reimbursement agreement for certain infrastructure and development costs incurred by Village in connection with the utility and drainage components of the roadway extensions. In 2009, the City of Austin and Travis County approved (i) a preliminary subdivision plan of the entire Village property, and (ii) the final subdivision plat of Village at Northtown, Section One, consisting of nine (9) retail lots and one (1) multifamily residential lot, collectively covering 35.03 acres. In October 2010, an approximate 12.53 acre parcel was sold to the Pflugerville Independent School District ("Pflugerville ISD") for a new elementary school site. The elementary school opened in August 2012 and is not subject to taxation by the District. The District's master land plan has been revised a number of times to address the changing development plans of Village. The most recent revision was approved by the City in June 2013. Revisions to the approved preliminary subdivision plan pertaining to approximately 18.75 acres of land for detached single family residential and attached single family residential development across Harris Ridge Boulevard from the new school

were approved in December 2011. Final platting of this area is complete. Village's Harris Ridge Boulevard improvements were completed in 2011 but, due to construction deficiencies relating to a detention pond included in the improvements, the improvements have not yet been accepted by the District, County, or City. Village has entered into litigation with the contractor of the Harris Ridge Boulevard improvements and the lawsuit is expected to be resolved by the end of 2019. As a result of the incomplete improvements, the District has limited Village's water and wastewater connections within the portion of the Village property that includes the elementary school to only the elementary school. The remaining portions of Village's tract that are not served by the improvements that are subject to this litigation could be served by the District following the construction of the necessary water, wastewater and drainage improvements. In 2016, the Village commenced construction on the John Henry Faulk Water and Wastewater improvements to provide water and wastewater service to portions of this area. The improvements were completed in March 2018. In 2018, Village commenced construction on the John Henry Faulk Roadway improvements, which will provide access through a large portion of the development. As of October 1, 2019, the project is substantially complete. In 2018, Village sold multiple parcels of land (totaling approximately 121.2 acres) to third parties, including to KB Home. KB Home purchased 36.7 acres and completed 148 lot single family lots, called Village at Northtown, in September 2019. As of October 1, 2019, KB Home is actively under home construction and has started 12 homes. KB Home expects to be fully built out by late 2020. In 2019, a 1.4 acre parcel with a convenience store was completed.

As of October 1, 2019, the District contained a total of 2,966 completed single family homes, 12 homes under construction, 136 vacant but developed single family lots, and 144 completed single-family condominiums. Additionally, as of October 1, 2019, the District contained the following multi-family development: Villas at Techridge, which contains 350 multi-family apartment units); and Lakewood at Tech Ridge, which contains 336 multi-family apartment units; and the Oaks at Techridge, which contain 336 multi-family apartment units

The chart on the following page reflects the status of development within the District as of October 1, 2019:

(The chart appears on the following page)

A. Developed with Utility Facilities

Sections	Acreage	Platted Lots	Single Family		
			Completed Homes	Homes Under Construction	Vacant Lots
<u>Northtown / Northtown Park</u>					
1, 2, 4, 5A, 7, 8 & 9	66.76	416	416	-	-
<u>Northtown West</u>					
1	33.62	167	167	-	-
<u>Wildflower</u>					
1 - 5	44.69	225	225	-	-
<u>Settlers Meadow</u>					
1- 4	69.59	295	295	-	-
<u>Gaston Sheldon</u>					
1 - 5	234.48	959	959	-	-
<u>Brookfield Estates I</u>					
1 - 3	48.63	182	182	-	-
<u>Brookfield Estates II</u>					
1-6	62.25	319	319	-	-
<u>The Lakes at Northtown</u>					
1, 2, 3, 4 & 5	79.99	306	306	-	-
<u>Parkway at Northtown</u>	22.29	97	97	-	-
<u>Village at Northtown</u>	36.70	148	-	12	136
<u>Parkside at Northtown: Condominiums</u>	19.77	144	144	-	-
Total Single Family	718.77	3,258	3,110	12	136

Multi-Family Apartments	Acreage	Completed Units
<u>Villas at Techridge: Apartments</u>	16.35	350
<u>Lakewood at Tech Ridge: Apartments</u>	11.60	336
<u>The Oaks at Techridge: Apartments</u>	5.19	336
Total Multi-Family	33.14	1,022

B. Other

Elementary School	12.53
Convenience Store	1.40
Total Other Development	13.93

Total Developed Acreage 765.84

C. Remaining Undeveloped but Developable Acreage 231.49

D. Undevelopable Acreage 227.01

Total Acreage 1,224.34

Parks

The District currently owns three parks: (i) the 60 acre Stoney Creek Park, which was expanded in 2004 from its original 10.34 acres and is currently improved with four playscapes, picnic tables, a trail, irrigated landscaping, two soccer fields, a sand volleyball court and a pavilion; (ii) the 6.768 acre Meadow Point Park, which is improved with a trail; and (iii) the 20.34 acre Wildflower Park, which is also improved with a playscape and trail. The District's land plan projects that additional land will be donated to the District, which is primarily creek frontage located within the 100-year flood plain, which will be used as part of the District's integrated trail system. In 2014 and 2016, the District upgraded the District's trail system. The possibility exists that the District may be required to expend significant funds in response to flooding within the District's parks and trails. In 2018, the District completed improvements that included fence replacements and additions. In 2018, the District completed a parks master plan (the "Master Plan") that identifies capital improvements to be constructed over multiple years. In 2019, the first phase of the Master Plan was completed and consisted of the replacement and upgrade of equipment in the park. The District is in the planning stages of the second phase of improvements, which will include improvements to parkland being dedicated to the District by Village.

THE DEVELOPERS

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 and scheduling 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 in the utility district) pursuant to the rules of the Commission, 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 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 its land within a district. In addition, the developer is ordinarily the major taxpayer within a district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developers

Village is a Texas limited partnership whose general partner is Village @ Northtown General Partner, Inc., with Clifton E. Lind serving as President. Jeffercindershan, Ltd. is a Texas limited partnership whose general partner is Jeffercindershan General Partner, Inc., with Clifton E. Lind serving as President. Village and Jeffercindershan collectively purchased approximately 327 acres within the District through three separate acquisitions. Approximately 263 acres were acquired by Village from PFLP for cash and a seven-year seller note, and approximately 27 acres were purchased by Village from SVWW with seller financing. The third tract, consisting of approximately 37 acres, was purchased by Jeffercindershan from DRLP. Village and Jeffercindershan collectively own approximately 126 remaining acres to be developed out of the original 327 acres. These remaining portions of the project currently owned by Village and Jeffercindershan are financed by entities affiliated with Village and by other third-party lenders. Two loans relating to an approximately 18.75 acre single family tract are in the process of being refinanced.

KB Home Lone Star LP ("KB Home"), a Texas limited partnership, completed the development of 148 single family lots on approximately 37.6 acres, called Village at Northtown, in September 2019. As of October 1, 2019, KB Home is actively under home construction and has started 12 homes. KB Home expects to be fully built out by late 2020.

THE SYSTEM

Regulation

The District receives its water supply and wastewater treatment from the City pursuant to the terms of the Consent Agreement (See "THE DISTRICT – City of Austin Consent Agreement").

Water Supply and Distribution

The District receives its potable water supply from Austin which, in turn, obtains water from three locations along the Colorado River. The District lies in Austin's North Pressure Zone, which receives water from two of the three water treatment plants serving the northern areas of Austin's water and wastewater system. The two water treatment plants serving the District have a combined firm yield of 110 million gallons-per-day ("mgd"), which is capable of serving the District at ultimate development.

Wastewater Collection and Treatment

Wastewater treatment service for the District is primarily provided by the Austin's Walnut Creek Interceptor and Wastewater Treatment Plant (the "Treatment Plant"). The Treatment Plant has a permitted capacity of 75 mgd, which is capable of serving the District at ultimate development. Current flows through the Treatment Plant are approximately 49 mgd. The District has constructed a system of force mains, gravity mains, and lift stations to transfer wastewater to the Treatment Plant. The City has agreed to accept a pump-over of 1.0 mgd to the Treatment Plant from the District. This system consists of 10, 12 and 14-inch force mains, 18-inch gravity main, and 1,200-gpm and 1,795 gpm lift stations located within the District. The District had experienced operational issues with its low flow lift station and upgraded the lift station to improve operations and extend its life at a cost of approximately \$500,000. The District also experienced several breaks in a force main in the years 2010, 2011, and 2012 and incurred a total repair cost of approximately \$400,000. In 2014, the District completed a replacement of the force main at a cost of approximately \$800,000. In 2017, The District experienced a force main break in Dessau Road and incurred a repair cost of approximately \$200,000. The District authorized a preliminary study to determine possible replacement options. In 2017, the District authorized various access and security improvements on the District's facilities, which were completed in 2018. In 2018, the District experienced another force main break in Dessau Road and incurred repair costs of approximately \$400,000. The District is proceeding with the replacement of the existing force mains within the District. As of October 1, 2019, the project is under review by the City of Austin. Construction of the force mains are expected to be completed in late 2020 and cost approximately \$6,500,000.

100-Year Flood Plain

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

According to the District's Engineer, approximately 125 acres of undeveloped land within the District are located within the 100-year flood plain, and are included in the land use table as undevelopable.

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

Water and Wastewater Operations – Table 1

Rate and Fee Schedule

The District provides water and wastewater service to utility customers within the District and charges rates as set by the Board of Directors from time to time. The following rates for water and wastewater service to residents of the District are effective as of September 24, 2019:

Water & Wastewater Charges for Single Family Residential Customers (monthly billings)

Basic Service rate (which includes solid waste disposal and recycling)	\$ 33.00 per residence
Monthly In-District Sewer Rate	\$ 6.89 per 1,000 gallons
Monthly In-District Water Rates	
0-7,000 gallons.....	\$5.08 per 1,000 gallons
7,001 –12,000.....	5.91
12,001 – 17,000.....	6.69
over 17,000.....	7.59

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 upon information obtained from the District's annual financial reports. Reference is made to such reports for further and more complete information.

	Fiscal Year Ended					
	9/30/2019 ^(a)	9/30/2018 ^(b)	9/30/2017 ^(b)	9/30/2016 ^(b)	9/30/2015 ^(b)	9/30/2014 ^(b)
REVENUES						
Water and Wastewater Service	\$ 3,682,141	\$ 3,864,303	\$ 3,918,941	\$ 3,798,056	\$ 3,798,324	\$3,865,382
System Connection Fees	-	-	-	-	-	21,600
Property Tax Revenues	2,763,766	2,767,651	2,419,396	1,989,812	1,553,121	1,521,641
Park Fees	900	44,400	-	-	23,940	5,400
Interest Income	294,881	192,116	92,244	33,472	7,091	6,327
Miscellaneous	32,915	76,235	53,841	61,800	89,107	25,300
TOTAL REVENUES	\$ 6,774,602	\$ 6,944,705	\$ 6,484,422	\$ 5,883,140	\$ 5,471,583	\$5,445,650
EXPENDITURES						
Water, Wastewater & Garbage	\$ 2,345,589	\$ 2,206,456	\$ 2,174,521	\$ 2,426,152	\$ 2,887,959	\$3,001,990
Repairs and Maintenance	582,293	927,555	418,654	213,193	182,969	221,698
Utilities	25,240	23,974	26,026	31,282	29,496	32,386
Park Maintenance	653,367	605,781	488,672	502,174	456,664	503,338
Inspection Fees/Meter Purchases	3,100	-	-	-	-	2,585
General Manager Services	344,401	309,921	302,703	303,864	303,795	301,266
Legal Fees	128,916	100,172	101,362	105,449	104,735	134,258
Engineering Fees	61,967	66,494	53,827	87,988	43,157	57,562
Audit Fees	15,750	15,750	15,500	15,250	15,000	14,900
Security services	121,628	121,801	110,330	116,191	104,001	104,712
Tax Assessor/Collector Fees	15,284	15,876	14,521	12,558	10,475	9,311
Director Fees	16,050	20,830	20,400	22,920	18,720	16,470
Insurance	18,367	21,679	18,952	16,919	16,612	15,521
Accounting Fees	66,750	66,400	66,750	66,750	66,750	66,750
Financial Advisor Fees	1,367	1,160	1,096	989	853	732
Chemicals	72,968	52,308	61,809	39,769	98,139	120,800
Office Expenses	350,773	340,249	306,667	309,384	290,842	273,610
Other Consulting Fees	8,506	15,966	27,179	36,829	128,365	62,867
Other	126,598	120,472	110,844	97,825	86,550	99,663
Capital Outlay	499,513	1,131,542	245,512	313,233	231,915	1,116,609
TOTAL EXPENDITURES	\$ 5,458,426	\$ 6,164,386	\$ 4,565,325	\$ 4,718,719	\$ 5,076,997	\$6,157,028
NET REVENUES (DEFICIT)	\$ 1,316,176	\$ 780,319	\$ 1,919,097	\$ 1,164,421	\$ 394,586	\$ (711,378)
Fund Balance, beginning of yr.	\$ 11,005,155	\$ 10,224,836	\$ 8,305,739	\$ 7,141,318	\$ 5,527,389	\$6,238,767
Plus/(Less): Interfund Transfer	(95,839)	-	-	-	1,219,343 ^(c)	-
Fund Balance, end of yr.	\$ 12,225,492	\$ 11,005,155	\$ 10,224,836	\$ 8,305,739	\$ 7,141,318	\$5,527,389

(a) Unaudited.

(b) Audited

(c) During fiscal year 2015, the District reimbursed the General Operating Fund for capital outlay projects by transferring \$1,219,343 from the capital projects fund into the general operating fund.

DEBT SERVICE REQUIREMENTS – TABLE 3

Northtown Municipal Utility District

\$4,930,000

Unlimited Tax and Revenue Refunding Bonds, Series 2019

Dated Date: December 17, 2019

First Interest Payment Due: March 1, 2020

Year Ending 31-Dec	Outstanding Debt	Less: Refunded Debt	Projected Total Debt	The Bonds				Principal and Interest	Total Debt Service Requirements
				Principal (Due 9/01)	Interest (Due 3/01)	Interest (Due 9/01)	Total		
2020	\$ 2,247,063	\$ 179,719	\$ 2,067,344	\$ 30,000	\$ 33,783	\$ 82,175	\$ 115,958	\$ 145,958	\$ 2,213,302
2021	2,065,750	179,719	1,886,031	-	81,875	81,875	163,750	163,750	2,049,781
2022	2,094,900	179,719	1,915,181	-	81,875	81,875	163,750	163,750	2,078,931
2023	2,098,450	419,719	1,678,731	220,000	81,875	81,875	163,750	383,750	2,062,481
2024	2,150,063	696,319	1,453,744	505,000	78,575	78,575	157,150	662,150	2,115,894
2025	2,148,338	689,244	1,459,094	515,000	71,000	71,000	142,000	657,000	2,116,094
2026	1,914,338	716,894	1,197,444	560,000	60,700	60,700	121,400	681,400	1,878,844
2027	1,692,294	732,700	959,594	600,000	49,500	49,500	99,000	699,000	1,658,594
2028	1,701,119	731,175	969,944	625,000	37,500	37,500	75,000	700,000	1,669,944
2029	1,392,350	823,950	568,400	735,000	28,125	28,125	56,250	791,250	1,359,650
2030	1,413,900	845,700	568,200	780,000	17,100	17,100	34,200	814,200	1,382,400
2031	981,825	404,625	577,200	360,000	5,400	5,400	10,800	370,800	948,000
	<u>\$ 21,900,388</u>	<u>\$ 6,599,481</u>	<u>\$ 15,300,906</u>	<u>\$ 4,930,000</u>	<u>\$ 627,308</u>	<u>\$ 675,700</u>	<u>\$ 1,303,008</u>	<u>\$ 6,233,008</u>	<u>\$ 21,533,914</u>

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2019 Certified Assessed Valuation		\$804,270,491 ^(a)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 17,785,000 ^(b)
Ratio of Gross Debt to 2019 Certified Assessed Valuation		2.21%
2019 Tax Rate		
	Debt Service	\$ 0.2610
	Maintenance	<u>0.3640</u>
	Total 2019 Tax Rate	<u>\$ 0.6250</u> ^(c)
Debt Service Fund Balance (as of November 20, 2019)		\$ 817,098 ^(d)

Area of District: 1,224.34 acres
Estimated Population as of November 1, 2019: 13,260 ^(e)

- (a) Assessed valuation of the District as of January 1, 2019 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Includes the Bonds, excludes the Refunded Bonds.
- (c) The District levied a 2019 tax rate of \$0.625 in September 2019. See "TAXING PROCEDURES."
- (d) Unaudited as of November 20, 2019. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (e) Based upon 3.5 residents per occupied single family home and completed condominium, and 2.5 residents per occupied multi-family unit. According to the leasing staffs of the apartment complexes, of the 1,022 multi-family units, 975 units are occupied as of September 1, 2019.

Unlimited Tax and Revenue Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
12/21/1985	Water, Sanitary Sewer and Drainage	\$ 69,443,000	\$ 34,230,000	\$ 35,213,000
12/21/1985	Contract Revenue Bonds	97,670,000	- ^(a)	97,670,000

- (a) See "The Bonds – Issuance of Additional Debt".

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Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds^(a)
A. New Money Bonds				
03/01/94	Water and Sewer	1994	\$ 1,000,000	\$ -
05/01/97	Water and Sewer	1997	995,000	-
02/01/01	Water and Sewer	2001	2,100,000	-
08/01/02	Water and Sewer	2002	3,510,000	-
11/01/03	Water and Sewer	2003	3,770,000	-
04/01/06	Water and Sewer	2006	4,500,000	-
10/01/07	Water and Sewer	2007	6,005,000	-
04/01/09	Water and Sewer	2009	7,560,000	-
10/01/11	Water and Sewer	2011	4,790,000	900,000
	Subtotal		\$ 34,230,000	\$ 900,000
B. Refunding Bonds				
09/01/04	Refunding	2004	\$ 2,505,000	\$ -
11/01/10	Refunding	2010	5,895,000	-
09/01/12	Refunding	2012	3,850,000	680,000
08/01/14	Refunding	2014	3,340,000	2,960,000
08/20/15	Refunding	2015	5,635,000	5,180,000
09/01/17	Refunding	2017	3,710,000	3,135,000
12/17/19	Refunding	2019	4,930,000	4,930,000 ^(b)
	Subtotal		\$ 29,865,000	\$ 16,885,000
	Total		\$ 64,095,000	\$ 17,785,000

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

(b) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 12,837,607
Debt Service Fund	817,098 ^(b)
Park Fund	100,705
Capital Projects Fund	2,453

(a) Unaudited as of November 20, 2019.

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

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed, or guaranteed by

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

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

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any

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

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

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

Current Investments - Table 8

The District, as of November 20, 2019, is invested in money markets, TexPool, and L.O.G.I.C. 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 and L.O.G.I.C. are public funds investment pools. TexPool and L.O.G.I.C. have 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 and L.O.G.I.C. 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 November 20, 2019	
Cash	\$ 49,951
Money Market	745,481
TexPool	1,736,071
L.O.G.I.C.	11,226,359
Total Investments	\$ 13,757,863

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	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	\$ 1,066,091,179	10/31/2019	0.410%	\$ 4,370,974
Travis County ESD No. 2	-	10/31/2019	0.000%	-
Travis County Healthcare District	8,350,000	10/31/2019	0.410%	34,235
Austin Community College District	404,420,000	10/31/2019	0.180%	727,956
Pflugerville Independent School District	596,945,000	10/31/2019	5.710%	34,085,560
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 39,218,724
The District ^(a)	\$ 17,785,000	12/17/2019	100.00%	17,785,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 57,003,724
Ratio of Estimated Direct and Overlapping Debt to 2019 Certified Assessed Valuation				7.09%

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

Overlapping Taxes for 2019

Overlapping Entity	2019 Tax Rate Per	
	\$100 Assessed Valuation Travis County	Average Tax Bill ^(a) Travis County
Travis County	\$0.369293	\$ 758
Travis County ESD No. 2	0.100000	205
Travis County Healthcare District	0.105573	217
Austin Community College District	0.104900	215
Pflugerville Independent School District	1.450000	2,974
The District	0.625000	1,282
Total	\$2.754766	\$ 5,651

(a) Based on the 2019 average taxable home value of \$205,131, as provided by TCAD.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2019 ^(a)		2018 ^(b)		2017 ^(b)	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 650,283,303	80.85%	\$629,313,599	81.22%	\$583,566,546	83.05%
Multi Family Residence	130,186,139	16.19%	124,784,836	16.10%	116,203,846	16.54%
Vacant Lot	3,768,774	0.47%	1,654,252	0.21%	898,600	0.13%
Qualified Ag Land	876,863	0.11%	12,500	0.00%	-	0.00%
Non-Qualified Land	23,689,025	2.95%	24,091,302	3.11%	13,496,849	1.92%
Commercial Real Property	27,261,204	3.39%	25,340,393	3.27%	22,391,626	3.19%
Telephone Company	166,931	0.02%	164,004	0.02%	123,850	0.02%
Commercial Personal Property	5,180,518	0.64%	2,700,856	0.35%	2,056,284	0.29%
Industrial Personal Property	166,526,217	20.71%	151,511,986	19.55%	74,831,822	10.65%
Residential Inventory	-	0.00%	-	0.00%	660,354	0.09%
Totally Exempt Property	26,143,202	3.25%	24,269,454	3.13%	23,579,884	3.36%
Less: Adjustments	<u>(229,811,685)</u>	<u>-28.57%</u>	<u>(209,009,505)</u>	<u>-26.97%</u>	<u>(135,099,383)</u>	<u>-19.23%</u>
Total	\$ 804,270,491	100.00%	\$774,833,677	100.00%	\$702,710,278	100.00%

(a) Provided by TCAD.

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

Tax Collections - Table 10

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

Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
1997	\$39,530,168	\$ 0.5957	\$ 235,481	\$ 234,276	99.49%	\$ 234,276	99.49%	9/30/1998 ^(b)
1998	52,600,963	0.5957	313,344	309,580	98.80%	309,580	98.80%	9/30/1999 ^(b)
1999	63,111,800	0.6400	403,916	398,812	98.74%	401,290	99.35%	9/30/2000 ^(b)
2000	85,240,045	0.6400	545,536	538,802	98.77%	543,128	99.56%	9/30/2001 ^(b)
2001	106,890,553	0.6500	694,789	684,962	98.59%	697,402	100.38%	9/30/2002 ^(b)
2002	136,081,264	0.6500	884,528	862,922	97.56%	875,604	98.99%	9/30/2003 ^(b)
2003	175,127,410	0.7500	1,313,456	1,289,157	98.15%	1,315,294	100.14%	9/30/2004 ^(b)
2004	217,798,615	0.7500	1,633,492	1,615,505	98.90%	1,620,221	99.19%	9/30/2005 ^(b)
2005	257,839,127	0.7500	1,933,793	1,884,671	97.46%	1,885,004	97.48%	9/30/2006 ^(b)
2006	299,149,058	0.7500	2,243,618	2,220,419	98.97%	2,235,388	99.63%	9/30/2007 ^(b)
2007	357,239,412	0.7500	2,679,296	2,560,124	95.55%	2,593,289	96.79%	9/30/2008 ^(b)
2008	383,023,670	0.7500	2,872,678	2,855,769	99.41%	2,871,442	99.96%	9/30/2009 ^(b)
2009	434,241,694	0.7500	3,256,813	3,247,016	99.70%	3,260,375	100.11%	9/30/2010 ^(b)
2010	426,534,832	0.7500	3,199,013	3,165,528	98.95%	3,174,569	99.24%	9/30/2011 ^(b)
2011	427,743,268	0.6250	3,205,834	3,186,569	99.40%	3,217,753	100.37%	9/30/2012 ^(b)
2012	424,235,450	0.7500	3,181,766	3,173,513	99.74%	3,187,957	100.19%	9/30/2013 ^(b)
2013	498,099,816	0.7500	3,735,748	3,730,108	99.85%	3,738,316	100.07%	9/30/2014 ^(b)
2014	514,296,755	0.7360	3,785,223	3,777,375	99.79%	3,784,936	99.99%	9/30/2015 ^(b)
2015	579,124,796	0.7220	4,181,281	4,174,524	99.84%	4,180,464	99.98%	9/30/2016 ^(b)
2016	648,491,451	0.7075	4,588,078	4,579,267	99.81%	4,579,267	99.81%	9/30/2017 ^(b)
2017	702,710,278	0.7075	4,970,642	4,954,942	99.68%	4,954,942	99.68%	9/30/2018 ^(b)
2018	773,968,179	0.6300	4,875,932	4,857,691	99.63%	4,862,676	99.73%	9/30/2019 ^(c)
2019	804,270,491	0.6250	5,026,691	<i>In Process of Collection</i>				9/30/2020 ^(d)

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

(b) Audited.

(c) Unaudited.

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

District Tax Rates – Table 11

	Tax Rates per \$100 Assessed Valuation								
	2019	2018	2017	2016	2015	2014	2013	2012	2011
Debt Service	\$0.2610	\$0.2727	\$0.3130	\$0.3346	\$0.3788	\$0.4343	\$0.4451	\$0.5271	\$0.4618
Maintenance	0.3640	0.3573	0.3945	0.3729	0.3432	0.3017	0.3049	0.2229	0.2882
Total	\$0.6250	\$0.6300	\$0.7075	\$0.7075	\$0.7220	\$0.7360	\$0.7500	\$0.7500	\$0.7500

Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under "District Tax Rates," the District levied a 2019 debt service tax of \$0.2610/\$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds and the Bonds, and any tax bonds which may be issued in the future. At an election held on December 21, 1985, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2019 maintenance and operations tax of \$0.3640/\$100 assessed valuation.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2019, 2018, and 2017 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2019^(a)	2018^(b)	2017^(b)
CL Tech Ridge LP & Tech Ridge LA Partners	Apartments	\$ 47,761,971	\$ 46,060,000	\$ 43,300,000
Belcorp Oaks LLC	Apartments	40,641,910	37,701,910	34,791,910
Logistics II Tech Ridge Portfolio LLC	Apartments	22,990,794	22,242,001	19,608,051
Lantower Techridge Austin LP	Land and Improvements	15,145,158	15,065,400	13,957,650
MCN Lakewood LLC	Land and Improvements	12,885,935	12,819,935	(c)
Village @ Northtown Ltd	Land and Improvements	12,360,255	19,927,540	11,212,498
Yintai Investment Northtown LLC	Land and Improvements	5,861,434	(c)	(c)
Applied Materials Inc.	Commercial	3,371,736	2,874,369	879,378
A M Petroleum Inc.	Industrial	3,023,253	3,098,392	2,783,575
Village @ Northtown Ltd &	Land and Improvements	2,717,708	2,717,708	(c)
Individual Homeowner	Land and Improvements	(c)	871,748	827,062
Lakewood SDF LLC et al	Land and Improvements	(c)	(c)	11,542,145
Jeffercindershan Ltd.	Land and Improvements	(c)	(c)	965,431
Total		\$166,760,154	\$163,379,003	\$139,867,700
Percent of Certified Assessed Valuation		20.73%	21.11%	19.90%

(a) Provided by TCAD.

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

(c) Not a top ten taxpayer in respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2019 Certified Assessed Valuation and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2020-2030).....	\$1,871,447
\$0.25 Tax Rate on the 2019 Certified Assessed Valuation of \$804,270,491 @ 95% collections produces	\$1,910,142
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2020).....	\$2,213,302
\$0.29 Tax Rate on the 2019 Certified Assessed Valuation of \$804,270,491 @ 95% collections produces	\$2,215,765

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/20.....	\$2,213,302 ^(a)
Unaudited Debt Service Fund Balance as of 9/24/19	\$806,419 ^(b)
2019 Tax Levy @ 95% collections produces	\$1,994,189 ^(c)
Total Available for Debt Service.....	<u>\$2,800,608</u>

(a) Interest payments on the Bonds commences March 1, 2020.

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

(c) The District levied a 2019 debt service tax rate of \$0.261.

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 Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and for the payment of certain contractual obligations, as authorized by its voters. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, 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 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. The Travis Central Appraisal District (the "TCAD") has the responsibility for appraising property for all taxing units within Travis County, including the District.

Such appraised values whether certified or estimated 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 are

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District adopted a general homestead exemption of 1% of the appraised value of residential homesteads or a minimum exemption amount of \$5,000.

Tax Abatement

The City and Travis County may designate all or part of the District as a reinvestment zone, and the District, Travis County, and (after annexation of the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

Freeport Goods and Goods-in-Transit Exemption: 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 if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. 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. The District has elected to tax goods-in-transit.

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. 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.

Tax Payment Installments

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

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

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

Effect of FIRREA on Tax Collections

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

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX B - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "DTC Redemption Provision," "Payment Record" and "Remedies in Event of Default"), "LEGAL MATTERS" (except for the last sentence of the first paragraph hereof and the subcaption "No-Litigation Certificate"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Hunton Andrews Kurth LLP, Houston, Texas.

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

No-Litigation Certificate

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

VERIFICATION OF ESCROW SUFFICIENCY

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

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

TAX MATTERS

Opinion

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

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

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the

taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "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, or deemed designated, 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 \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has 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 certain 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.

Annual Reports

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

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

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

Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of the event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule which includes debt, debt-like, and debt related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserve or a trustee.

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

Availability of Information from MSRB

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

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.

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

Compliance with Prior Undertakings

During the past five years, the District has been 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.

UNDERWRITING

The Underwriter of the Bonds has agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$50,686.32 from the initial public offering prices therefore set forth on the inside cover page of this Official Statement. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public offering prices may be charged from time to time by the Underwriter.

OFFICIAL STATEMENT

Preparation

The District engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT". The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in the preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

"THE DEVELOPERS" - Village @ Northtown Ltd., KB Home Lone Star LP, and 360 Professional Services, Inc. (the "Engineer"); "THE DISTRICT – City of Austin Consent Agreement" - Armbrust & Brown, PLLC; "THE SYSTEM" - Engineer; "FINANCIAL STATEMENT" - Travis Central Appraisal District and Records of the District ("Records"); "ESTIMATED OVERLAPPING DEBT STATEMENT" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" and "THE SYSTEM - Water And Wastewater Operations" - Audits, Records and Tax Assessor/Collector;

"DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "TAXING PROCEDURES," and "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 360 Professional Services, Inc., and has been included in reliance upon the authority of said firm in the field of civil 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.

Auditor: The District's financial statements for fiscal year ending September 30, 2018 were audited by McCall, Gibson, Swedlund, Barfoot P.L.L.C., Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2018 have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

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

Annual Audits

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

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

/s/ Brenda Richter
President, Board of Directors

/s/ Christopher Capers
Secretary, Board of Directors

PHOTOGRAPHS

The following photographs were taken in the District. The homes 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 Statement

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

**NORTHTOWN
MUNICIPAL UTILITY DISTRICT**

YEAR ENDED SEPTEMBER 30, 2018

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

NORTHTOWN MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF TRAVIS

I, _____ of the
(Name of Duly Authorized District Representative)

NORTHTOWN MUNICIPAL UTILITY DISTRICT
(Name of 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 **22nd day of January, 2019**, its annual audit report for the fiscal year period ended **September 30, 2018**, and those copies of the annual audit report have been filed in the district office, located at:

100 Congress Avenue, Suite 1300 Austin, TX 78701
(Address of District)

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

Date: _____, _____ By: _____
(Signature of District Representative)

(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(SEAL)

(Signature of Notary)

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

TCEQ-0723 (Rev. 07/2012)

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708
E-Mail: mgsb@mgsbpllc.com

9600 Great Hills Trail
Suite 150W
Austin, Texas 78759
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Northtown Municipal Utility District
Travis County, Texas

Independent Auditor's Report

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Austin, Texas

January 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Northtown Municipal Utility District (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2018. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the unassigned portion of the fund balance was \$10,876,024, \$11,146 was nonspendable and \$117,985 was assigned to use for a budgeted General Fund deficit during the year ending September 30, 2019. The total General Fund fund balance was \$11,005,155, representing an increase of \$780,319 from the previous year. General Fund revenues increased from \$6,484,422 in the previous fiscal year to \$6,944,705 in the current fiscal year due to an increase in property tax revenues.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$789,087 in the previous fiscal year to \$861,293 in the current fiscal year. Debt Service Fund revenues increased from \$2,194,134 in the previous fiscal year to \$2,238,897 in the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$2,347 in the previous fiscal year to \$2,389 in the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$2,442,291. Net position increased from \$21,411,036 to \$23,853,327.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created, organized and established on August 14, 1985, pursuant to the provisions of Chapter 54 of the Texas Water Code. The District operates under an elected Board of Directors that is elected by District residents or appointed by the Board. The District was created to provide water, wastewater and storm drainage facilities to serve the acreage within its boundaries, all of which lie within Travis County and within the extra-territorial jurisdiction of the City of Austin. The District receives wholesale water and wastewater service from the City of Austin.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT’S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

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

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

The *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* includes a column (titled “Governmental Funds Total”) that derives the change in fund 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 *Notes to the Financial Statements* provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances*.

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

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2018	2017	
Current and other assets	\$ 13,691,022	\$ 12,615,401	\$ 1,075,621
Capital and non-current assets	31,794,486	31,725,858	68,628
Total Assets	45,485,508	44,341,259	1,144,249
Deferred Outflows of Resources	302,591	322,535	(19,944)
Total Assets and Deferred Outflows of Resources	45,788,099	44,663,794	1,124,305
Current Liabilities	3,391,418	3,205,378	186,040
Long-term Liabilities	18,543,354	20,047,380	(1,504,026)
Total Liabilities	21,934,772	23,252,758	(1,317,986)
Net Investment in Capital Assets	12,131,112	10,883,360	1,247,752
Restricted	694,111	286,326	407,785
Unrestricted	11,028,104	10,241,350	786,754
Total Net Position	\$ 23,853,327	\$ 21,411,036	\$ 2,442,291

The District's combined net position increased by \$2,442,291 to \$23,853,327 from the previous year amount of \$21,411,036. Some of the District's assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$11,028,104.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2018	2017	
Service accounts	\$ 3,864,303	\$ 3,918,941	\$ (54,638)
Property taxes	4,975,072	4,594,876	380,196
Other	355,546	170,034	185,512
Total Revenues	9,194,921	8,683,851	511,070
Water/wastewater/garbage	2,206,456	2,174,521	31,935
Other	2,840,904	2,160,806	680,098
Debt Service	642,356	854,863	(212,507)
Depreciation	1,062,914	1,045,405	17,509
Total Expenses	6,752,630	6,235,595	517,035
 Change in Net Position	 2,442,291	 2,448,256	 (5,965)
 Beginning Net Position	 21,411,036	 18,962,780	 2,448,256
Ending Net Position	\$ 23,853,327	\$ 21,411,036	\$ 2,442,291

Revenues were \$9,194,921 for the fiscal year ended September 30, 2018 while expenses were \$6,752,630. Net position increased \$2,442,291.

Property tax revenue in the current fiscal year totaled \$4,975,072. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2017 tax year (September 30, 2018 fiscal year) were based upon a current adjusted assessed value of \$702,710,278 and a tax rate of \$0.7075 per \$100 of assessed valuation. Property taxes levied for the 2016 tax year (September 30, 2017 fiscal year) were based upon an adjusted assessed value of \$648,394,754 and a tax rate of \$0.7075 per \$100 of assessed valuation. The District's primary revenue sources are service account fees and property taxes.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2018	2017	2016	2015
Cash	\$ 844,987	\$ 649,870	\$ 749,100	\$ 971,506
Cash equivalent investments	12,050,430	11,212,122	9,135,300	7,982,945
Receivables and other assets	799,181	756,135	959,133	999,732
Total Assets	<u>\$ 13,694,598</u>	<u>\$ 12,618,127</u>	<u>\$ 10,843,533</u>	<u>\$ 9,954,183</u>
Accounts payable	708,781	513,149	507,942	769,592
Other payables	1,069,722	1,052,727	1,296,813	1,248,377
Total Liabilities	<u>1,778,503</u>	<u>1,565,876</u>	<u>1,804,755</u>	<u>2,017,969</u>
Deferred Inflows of Resources	<u>47,258</u>	<u>35,981</u>	<u>31,867</u>	<u>31,050</u>
Nonspendable	11,146	9,931	8,155	8,049
Restricted	863,682	791,434	701,172	763,846
Assigned	117,985	852,638	641,281	595,679
Unassigned	10,876,024	9,362,267	7,656,303	6,537,590
Total Fund Balances	<u>11,868,837</u>	<u>11,016,270</u>	<u>9,006,911</u>	<u>7,905,164</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,694,598</u>	<u>\$ 12,618,127</u>	<u>\$ 10,843,533</u>	<u>\$ 9,954,183</u>

For the fiscal year ended September 30, 2018, the District's governmental funds reflect a combined fund balance of \$11,868,837. This fund balance includes a \$780,319 increase to the General Fund.

The Debt Service Fund reflects an increase of \$72,206 in fiscal year 2018. During the current fiscal year, the Debt Service Fund remitted bond principal of \$1,120,000 and interest of \$1,027,288. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had a \$42 increase in fund balance for fiscal year 2018.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on September 26, 2017. The budget included revenues of \$6,632,249 as compared to expenditures of \$7,484,887. When comparing actual to budget, the District had a positive variance of \$1,632,957. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities invested \$31,794,482 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2018	9/30/2017
Land and easements	\$ 833,376	\$ 833,376
Construction in progress	-	175,250
Water, wastewater and drainage	36,695,264	36,545,536
Common and recreation areas	6,146,713	5,005,259
Equipment	42,452	26,842
Less: Accumulated Depreciation	(11,923,319)	(10,860,405)
Total Net Capital Assets	<u>\$ 31,794,486</u>	<u>\$ 31,725,858</u>

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

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	<u>Bonds Payable</u>
Series 2007	\$ 830,000
Series 2011	3,675,000
Series 2012	2,540,000
Series 2014	3,230,000
Series 2015	5,365,000
Series 2017	3,710,000
Total	<u>\$ 19,350,000</u>

The District owes approximately \$19.4 million to bondholders. During the current fiscal year, the District paid down \$1,120,000 in outstanding principal on bonds. The ratio of the District's long term debt to the total 2017 taxable assessed valuation (\$702,710,278) is 2.8%. The District's estimated population, as provided by the District as of June 1, 2017, is 13,154. More detailed information about the District's long term debt is presented in the *Notes to the Financial Statements*.

NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2018

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2018 tax year (September 30, 2019 fiscal year) is approximately \$983.8 million and the net taxable value is approximately \$774.8 million. The fiscal year 2019 tax rate is \$0.6300 on each \$100 of taxable value. Approximately 57% of the property tax will fund general operating expenses, and approximately 43% of the property tax will be set aside for Debt Service Fund expenditures.

The adopted budget for fiscal year 2019 projects a General Fund fund balance decrease of \$117,985.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

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FINANCIAL STATEMENTS

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

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash	\$ 844,987	\$ -	\$ -	\$ 844,987	\$ -	\$ 844,987
Cash equivalents	11,183,172	864,869	2,389	12,050,430	-	12,050,430
Receivables:						
Service accounts, net of \$2,500 provision for uncollectible accounts	665,905	-	-	665,905	-	665,905
Taxes, no provision for uncollectible accounts	22,949	24,309	-	47,258	-	47,258
Interfund receivables	3,576	-	-	3,576	(3,576)	-
Other	71,296	-	-	71,296	-	71,296
Prepaid expenditures	11,146	-	-	11,146	-	11,146
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	833,376	833,376
Equipment	-	-	-	-	31,277	31,277
Common and recreation areas	-	-	-	-	3,247,764	3,247,764
Water, wastewater and drainage facilities	-	-	-	-	27,682,069	27,682,069
TOTAL ASSETS	\$ 12,803,031	\$ 889,178	\$ 2,389	\$ 13,694,598	31,790,910	45,485,508
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred charges on refunding	\$ -	\$ -	\$ -	\$ -	302,591	302,591
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 12,803,031	\$ 889,178	\$ 2,389	\$ 13,694,598	32,093,501	45,788,099
<u>LIABILITIES</u>						
Accounts payable	\$ 708,781	\$ -	\$ -	\$ 708,781	-	708,781
Refundable deposits	743,618	-	-	743,618	-	743,618
Fiscal security deposits	322,528	-	-	322,528	-	322,528
Interfund payables	-	3,576	-	3,576	(3,576)	-
Accrued interest payable	-	-	-	-	191,491	191,491
Bonds payable:						
Due within one year	-	-	-	-	1,425,000	1,425,000
Due after one year	-	-	-	-	18,543,354	18,543,354
TOTAL LIABILITIES	1,774,927	3,576	-	1,778,503	20,156,269	21,934,772
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property taxes	22,949	24,309	-	47,258	(47,258)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	22,949	24,309	-	47,258	(47,258)	-
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Nonspendable for prepaid items	11,146	-	-	11,146	(11,146)	-
Restricted for debt service	-	861,293	-	861,293	(861,293)	-
Restricted for capital projects	-	-	2,389	2,389	(2,389)	-
Assigned for 2019 budget deficit	117,985	-	-	117,985	(117,985)	-
Unassigned	10,876,024	-	-	10,876,024	(10,876,024)	-
TOTAL FUND BALANCES	11,005,155	861,293	2,389	11,868,837	(11,868,837)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 12,803,031	\$ 889,178	\$ 2,389	\$ 13,694,598		
<u>NET POSITION</u>						
Net investment in capital assets					\$ 12,131,112	\$ 12,131,112
Restricted for debt service					694,111	694,111
Unrestricted					11,028,104	11,028,104
TOTAL NET POSITION					\$ 23,853,327	\$ 23,853,327

The accompanying notes are an integral part of this statement.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
<u>REVENUES:</u>						
Property taxes, including penalties and interest	\$ 2,767,651	\$ 2,196,144	\$ -	\$ 4,963,795	\$ 11,277	\$ 4,975,072
Service revenues, including penalties	3,864,303	-	-	3,864,303	-	3,864,303
Park fees	44,400	-	-	44,400	-	44,400
Interest	192,116	42,753	42	234,911	-	234,911
Other	76,235	-	-	76,235	-	76,235
TOTAL REVENUES	6,944,705	2,238,897	42	9,183,644	11,277	9,194,921
<u>EXPENDITURES / EXPENSES:</u>						
Current:						
Water/wastewater purchases	1,567,082	-	-	1,567,082	-	1,567,082
Garbage collection fees	639,374	-	-	639,374	-	639,374
Park maintenance	605,781	-	-	605,781	-	605,781
General manager fees	309,921	-	-	309,921	-	309,921
Repairs and maintenance	927,555	-	-	927,555	-	927,555
Utilities	23,974	-	-	23,974	-	23,974
Chemicals	52,308	-	-	52,308	-	52,308
Office expenditures	340,249	-	-	340,249	-	340,249
Security services	121,801	-	-	121,801	-	121,801
Director fees, including payroll taxes	20,830	-	-	20,830	-	20,830
Legal fees	100,172	-	-	100,172	-	100,172
Engineering fees	66,494	-	-	66,494	-	66,494
Accounting fees	66,400	-	-	66,400	-	66,400
Audit fees	15,750	-	-	15,750	-	15,750
Insurance	21,679	-	-	21,679	-	21,679
Tax appraisal/collection	15,876	12,596	-	28,472	-	28,472
Financial advisor fees	1,160	920	-	2,080	-	2,080
Other consulting fees	15,966	1,000	-	16,966	-	16,966
Other	120,472	-	-	120,472	-	120,472
Debt service:						
Bond principal	-	1,120,000	-	1,120,000	(1,120,000)	-
Bond interest	-	1,027,288	-	1,027,288	(389,819)	637,469
Fiscal agent fees	-	4,000	-	4,000	-	4,000
Bond issuance costs	-	887	-	887	-	887
Capital outlay	1,131,542	-	-	1,131,542	(1,131,542)	-
Depreciation	-	-	-	-	1,062,914	1,062,914
TOTAL EXPENDITURES / EXPENSES	6,164,386	2,166,691	-	8,331,077	(1,578,447)	6,752,630
Change in fund balances / net position	780,319	72,206	42	852,567	1,589,724	2,442,291
<u>FUND BALANCES / NET POSITION:</u>						
Beginning of the year	10,224,836	789,087	2,347	11,016,270	10,394,766	21,411,036
End of the year	\$ 11,005,155	\$ 861,293	\$ 2,389	\$ 11,868,837	\$ 11,984,490	\$ 23,853,327

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Northtown Municipal Utility District (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created, organized and established on August 14, 1985, pursuant to the provisions of Chapter 54 of the Texas Water Code. The District is a political subdivision of the State of Texas and operates under an elected Board of Directors.

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 which has been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by GASB standards 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 as defined by GASB standards which are included in the District's reporting entity.

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

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

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

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Presentation - Government-wide and Fund Financial Statements (continued) -

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

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

- **Government-wide Statements:**

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

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

- **Fund Financial Statements:**

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

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

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

- **Debt Service Fund** - The Debt Service Fund is used to account for resources restricted, committed or assigned for the payment of, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

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

Basis of Accounting

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

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

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

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

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

The District reports deferred inflows of resource on its balance sheet. Deferred inflows arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred inflows is removed from the balance sheet and revenue is recognized.

Budgets and Budgetary Accounting - An unappropriated budget was adopted on September 26, 2017, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the fiscal year.

Pensions - The District has four full-time employees. Payments are made into the social security system for them. The Internal Revenue Service has determined that the District's directors are considered to be "employees" for federal payroll tax purposes only. A separate pension plan has not been established for the directors.

Cash and Cash Equivalent Investments - Cash and cash equivalent investments include cash on deposit as well as investments with maturities of three months or less. The investments, consisting of an external local governmental investment pool and obligations in the State Treasurer's Investment Pool, are recorded at amortized cost.

Accounts Receivable - The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had an allowance for uncollectible accounts of \$2,500 at September 30, 2018.

Capital Assets - Capital assets, which include land and easements, equipment, common and recreation areas, and water, wastewater and drainage facilities, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets, including water, wastewater and drainage systems, are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received. Interest incurred during construction of capital facilities is capitalized.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Common and Recreation Areas	5 - 30
Equipment	5
Water, Wastewater and Drainage Facilities	50

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

Long-Term Debt - Unlimited tax and revenue bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

- **Nonspendable:** amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District has \$11,146 in nonspendable fund balance related to prepaid expenditures.
- **Restricted:** amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- **Committed:** amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- **Assigned:** amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District has assigned \$117,985 of its fund balance to cover a projected 2019 budget deficit.
- **Unassigned:** all other spendable amounts in the General Fund.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2021.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS –

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

Fund Balances - Total Governmental Funds		\$ 11,868,837
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Land and easements	\$ 833,376	
Capital assets	42,884,429	
Less: Accumulated depreciation	<u>(11,923,319)</u>	31,794,486
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred inflows of resources for tax revenues earned but not available.		47,258
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(19,350,000)	
Issuance discount	111,482	
Issuance premium	(729,836)	
Deferred charges on refunding, net	302,591	
Accrued interest	<u>(191,491)</u>	<u>(19,857,254)</u>
Net Position - Governmental Activities		<u><u>\$ 23,853,327</u></u>

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

Changes in Fund Balances - Governmental Funds		\$ 852,567
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital expenditures in period purchased	\$ 1,131,542	
Interest expenditures in year paid	389,819	
Principal in year paid	1,120,000	
Tax revenue when collected	<u>11,277</u>	2,652,638
Governmental funds do not report - Depreciation		<u>(1,062,914)</u>
Change in Net Position - Governmental Activities		<u><u>\$ 2,442,291</u></u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

3. CASH AND CASH EQUIVALENT INVESTMENTS

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

Cash - At September 30, 2018, the carrying amount of the District's deposits was \$844,987 and the bank balance was \$1,367,517. Of the bank balance, \$349,685 was covered by federal depository insurance and the remaining balance was covered by other pledged collateral.

Investments -

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

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

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

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

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) -

At September 30, 2018, the District held the following investments:

Investment	Fair Value at 9/30/2018	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
Texpool	\$ 3,341,376	\$ 3,341,376	\$ -	\$ -	AAAm	Standard & Poors
LOGIC	8,709,054	7,841,796	864,869	2,389	AAAm	Standard & Poors
	<u>\$ 12,050,430</u>	<u>\$ 11,183,172</u>	<u>\$ 864,869</u>	<u>\$ 2,389</u>		

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

(2) Restricted for purchase of capital assets.

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

The District also invests in Local Government Investment Cooperative ("LOGIC"), a public funds investment pool created pursuant to the Interlocal Cooperation Act of the State of Texas. The District has delegated the authority to hold legal title to LOGIC as custodian and to make investment purchases with the District's funds. LOGIC is a member-owned, member-governed public funds investment pool. The Board of Trustees, who have governance responsibilities, is comprised of participants in LOGIC and members of the Texas Association of School Business Officials ("TASBO"). LOGIC meets the criteria established in GASB Statement No. 79 and measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in LOGIC at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from LOGIC.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2018, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2018, the District's bank deposits were covered by FDIC coverage and other pledged collateral.

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

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 26, 2017.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2017 tax roll. The tax rate, based on total taxable assessed valuation of \$702,710,278, was \$0.7075 on each \$100 valuation and was allocated \$0.3945 to the General Fund and \$0.3130 to the Debt Service Fund. The maximum allowable maintenance tax rate of \$1.50 was established by the voters on April 5, 1986.

Property taxes receivable at September 30, 2018, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 8,754	\$ 6,946	\$ 15,700
Prior years' levies	14,195	17,363	31,558
	<u>\$ 22,949</u>	<u>\$ 24,309</u>	<u>\$ 47,258</u>

The District is prohibited from writing off real property taxes without specific authority from the Texas Legislature.

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments between funds are made, is as follows at September 30, 2018:

	Receivable	Interfund Payable
General Fund -		
Debt Service Fund	\$ 3,576	\$ -
Debt Service Fund -		
General Fund	-	3,576
	<u>\$ 3,576</u>	<u>\$ 3,576</u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2017	Additions	Deletions	Balance 9/30/2018
Capital assets not being depreciated:				
Land and Easements	\$ 833,376	\$ -	\$ -	\$ 833,376
Construction in progress	175,250	-	(175,250)	-
Total capital assets not being depreciated	1,008,626	-	(175,250)	833,376
Capital assets being depreciated:				
Water, Wastewater and Drainage Facilities	36,545,536	149,728	-	36,695,264
Common and Recreation areas	5,005,259	1,141,454	-	6,146,713
Equipment	26,842	15,610	-	42,452
Total capital assets being depreciated	41,577,637	1,306,792	-	42,884,429
Less accumulated depreciation for:				
Water, Wastewater and Drainage Facilities	(8,269,302)	(743,893)	-	(9,013,195)
Common and Recreation areas	(2,588,419)	(310,530)	-	(2,898,949)
Equipment	(2,684)	(8,491)	-	(11,175)
Total accumulated depreciation	(10,860,405)	(1,062,914)	-	(11,923,319)
Total capital assets being depreciated, net of accumulated depreciation	30,717,232	243,878	-	30,961,110
Total capital assets, net	\$ 31,725,858	\$ 243,878	\$ (175,250)	\$ 31,794,486

7. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2018:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2017	\$ 20,470,000
Bonds retired	(1,120,000)
Bond discount, net of accumulated amortization	(111,482)
Bond premium, net of accumulated amortization	729,836
Bonds payable at September 30, 2018	\$ 19,968,354

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

7. BONDED DEBT (continued) -

Bonds payable at September 30, 2018, were comprised of the following individual issues:

Unlimited Tax and Revenue Bonds:

\$830,000 – 2007 Unlimited Tax and Revenue Bonds payable serially through the year 2030 at interest rates which range from 3.50% to 4.00%. Bonds maturing September 1, 2015 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2014 or on any date thereafter. Bonds maturing September 1, 2030 are subject to mandatory sinking fund redemption.

\$3,675,000 – 2011 Unlimited Tax and Revenue Bonds payable serially through the year 2031 at interest rates which range from 2.00% to 3.75%. Bonds maturing September 1, 2017 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2016 or on any date thereafter. Bonds maturing September 1, 2029 and 2031 are subject to mandatory sinking fund redemption.

Unlimited Tax and Revenue Refunding Bonds:

\$2,540,000 – 2012 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2028 at interest rates which range from 2.00% to 3.50%. Bonds maturing September 1, 2020 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2019 or on any date thereafter.

\$3,230,000 – 2014 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2028 at interest rates which range from 2.00% to 3.125%. Bonds maturing September 1, 2020 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2019 or on any date thereafter.

\$5,365,000 – 2015 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2031 at interest rates which range from 2.00% to 4.00%. Bonds maturing September 1, 2022 are subject to redemption prior to maturity in whole or from time to time in part, on September 1, 2021 or on any date thereafter.

\$3,710,000 – 2017 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2026 at interest rates which range from 2.00% to 4.00%.

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

7. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2018, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2019	\$ 1,425,000	\$ 800,213	\$ 2,225,213
2020	1,620,000	627,063	2,247,063
2021	1,495,000	570,750	2,065,750
2022	1,575,000	519,900	2,094,900
2023	1,625,000	473,450	2,098,450
2024-2028	8,085,000	1,521,152	9,606,152
2029-2031	3,525,000	263,075	3,788,075
	<u>\$ 19,350,000</u>	<u>\$ 4,775,603</u>	<u>\$ 24,125,603</u>

A portion of the Series 2015 bonds were capital appreciation bonds, commonly referred to as “premium compound interest bonds”. These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The interest shown above includes the interest to be paid on the bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

Unlimited tax bonds authorized but not issued as of September 30, 2018, were \$35,213,000.

\$861,293 is available in the Debt Service Fund to service the bonded debt.

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

8. CAPITAL RECOVERY FEES

Capital recovery fees, as assessed by the City of Austin (the “City”), are collected on tap connections for each water and wastewater connection within the District as required under the District’s consent agreement with the City. Collected fees are submitted to the City. The District did not collect any capital recovery fees during the year ending September 30, 2018.

NORTHTOWN MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2018

9. COMMITMENTS AND CONTINGENCIES

The developer of the land within the District has incurred costs related to construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality (the "Commission"). The District, as of September 30, 2018, has recorded no liability pertaining to such costs.

In 2013, the District filed petitions with the Commission appealing the rates charged by the City to the District for wholesale water and wastewater services. The petitions alleged that the City's rates are in excess of the cost of services being provided and are, thus, in violation of Texas law. Since the filing of the petitions, the Texas Legislature transferred jurisdiction of water and wastewater rate appeals to the Public Utility Commission of Texas (the "PUC"). The State Office of Administrative Hearings ("SOAH") completed a hearing on the merits in February 2015 and issued a Proposal for Decision in favor of the District in July 2015. The SOAH Judges established interim water rates to be charged by the City, lowering rates to what existed prior to the City's adoption of new rates in 2012, which continue in effect. In October 2015, the PUC issued an Order lowering the water and wastewater rates for the District. The PUC issued a final order on January 14, 2016. On March 29, 2016, the City filed in Travis County District Court its appeal of the PUC Order. On May 25, 2017, Judge Laura J. Lovington issued her Final Order, which denied the City's appeal. The City staff are proposing a new rate increase, which the City must submit to the PUC for approval. The District anticipates participating in another rate hearing in calendar year 2019, again challenging the City's proposed wholesale water and wastewater rates for the District. At this time, the District is unable to form a judgement as to whether it is probable, reasonable or possible that the outcome of this matter will be unfavorable to the District.

10. RISK MANAGEMENT

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

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

10. RISK MANAGEMENT (continued) -

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

11. LEASE OBLIGATION

The District leases space in an office building at 1421 Wells Branch Parkway, Austin, TX. The District's lease was amended on April 1, 2014 and will terminate on June 30, 2019.

The District paid office lease expenses of \$52,879 in fiscal year 2018. The lease is subject to rental adjustments at the end of each contract year in accordance with defined contract amounts. In addition, the District pays a pro-rata share of operating costs for the facility which is adjusted annually. Future minimum lease payments due on the lease through June 30, 2019 total \$27,104.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

NORTHTOWN MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2018

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties and interest	\$ 2,767,651	\$ 2,717,065	\$ 50,586
Service revenues, including penalties	3,864,303	3,824,884	39,419
Park fees	44,400	-	44,400
Interest	192,116	60,300	131,816
Other	76,235	30,000	46,235
TOTAL REVENUES	<u>6,944,705</u>	<u>6,632,249</u>	<u>312,456</u>
EXPENDITURES:			
Current:			
Water/wastewater purchases	1,567,082	2,566,423	999,341
Garbage collection fees	639,374	645,698	6,324
Park maintenance	605,781	707,400	101,619
General manager fees	309,921	316,478	6,557
Repairs and maintenance	927,555	440,000	(487,555)
Utilities	23,974	36,000	12,026
Chemicals	52,308	75,000	22,692
Office expenditures	340,249	406,898	66,649
Security services	121,801	129,181	7,380
Director fees, including payroll taxes	20,830	33,909	13,079
Legal fees	100,172	138,000	37,828
Engineering fees	66,494	121,800	55,306
Accounting fees	66,400	66,750	350
Audit fees	15,750	16,000	250
Insurance	21,679	22,000	321
Tax appraisal/collection	15,876	16,000	124
Financial advisor fees	1,160	1,000	(160)
Other consulting fees	15,966	48,000	32,034
Other	120,472	123,350	2,878
Capital outlay	1,131,542	1,575,000	443,458
TOTAL EXPENDITURES	<u>6,164,386</u>	<u>7,484,887</u>	<u>1,320,501</u>
CHANGE IN FUND BALANCE	780,319	<u>\$ (852,638)</u>	<u>\$ 1,632,957</u>
FUND BALANCE:			
Beginning of the year	<u>10,224,836</u>		
End of the year	<u>\$ 11,005,155</u>		

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**TEXAS SUPPLEMENTARY
INFORMATION**

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NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2018

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

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input checked="" type="checkbox"/> Drainage |
| <input checked="" type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input checked="" type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input checked="" type="checkbox"/> Security |
| <input checked="" 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 type="checkbox"/> Other (specify): _____ | | |

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:	\$ 29.60 ⁽¹⁾	-	N	\$ 5.08	1 to 7,000
				\$ 5.91	7,001 to 12,000
				\$ 6.69	12,001 to 17,000
				\$ 7.59	17,001 +
WASTEWATER:	\$ -	-	N	\$ 6.89	Per 1,000
SURCHARGE:	\$ -	-	-	\$ -	

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

Total charges per 10,000 gallons usage: Water \$ 82.89 ⁽¹⁾ Wastewater \$ 68.90

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
≤ 3/4"	2,980	2,966	1.0	2,966
1"	7	7	2.5	18
1 1/2"	8	8	5.0	40
2"	12	10	8.0	80
3"	4	4	15.0	60
4"	-	-	25.0	-
6"	3	3	50.0	150
8"	1	1	80.0	80
10"	-	-	115.0	-
Total Water	3,015	2,999		3,394
Total Wastewater	2,988	2,988	1.0	2,988

⁽¹⁾ Includes once a week solid waste service and recycling service.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2018**

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

Gallons pumped into system: 283,518

Gallons billed to customers: 254,445

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

89.7%

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: N/A

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: City of Austin

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2018

Personnel Expenditures (including benefits)	\$ 293,170
Professional Fees:	
Audit	15,750
Legal	100,172
Engineering	66,494
Financial Advisor	1,160
Purchased Services For Resale -	
Bulk Water and Wastewater Purchases	1,567,082
Contracted Services:	
General Manager	309,921
Bookkeeping	66,400
Appraisal District/Tax Collector	15,876
Security Services	121,801
Other Contracted Services	15,966
Utilities	23,974
Repairs and Maintenance	927,555
Chemicals	52,308
Administrative Expenditures:	
Directors' Fees	20,830
Office Supplies	2,770
Insurance	21,679
Other Administrative Expenditures	164,781
Capital Outlay:	
Capitalized Assets	1,131,542
Expenditures not Capitalized	-
Bad Debt	-
Solid Waste Disposal	639,374
Parks and Recreation	605,781
Other Expenditures	-
TOTAL EXPENDITURES	\$ 6,164,386

Number of persons employed by the District:

☒ Full-Time

☐ Part-Time

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
Investment in LOGIC	XXX8001	Varies	N/A	\$ 7,835,608	\$ -
Investment in LOGIC	XXX8002	Varies	N/A	6,188	-
State Investment Pool	XXX0001	Varies	N/A	3,014,442	-
State Investment Pool	XXX0003	Varies	N/A	4,406	-
State Investment Pool	XXX0004	Varies	N/A	156,047	-
State Investment Pool	XXX0005	Varies	N/A	166,481	-
Total				11,183,172	-
Debt Service Fund:					
Investment in LOGIC	XXX8005	Varies	N/A	3,665	-
Investment in LOGIC	XXX8006	Varies	N/A	861,204	-
Total				864,869	-
Capital Projects Fund -					
Investment in LOGIC	XXX8015	Varies	N/A	2,389	-
Total				2,389	-
Total - All Funds				\$ 12,050,430	\$ -

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2018

	Maintenance Taxes	Debt Service Taxes		
Taxes Receivable, Beginning of Year	\$ 16,514	\$ 19,467		
2017 Original Tax Levy, less abatements/adjustments	2,771,616	2,199,026		
Total to be accounted for	2,788,130	2,218,493		
Tax collections:				
Current year	2,762,862	2,192,080		
Prior years	2,319	2,104		
Total collections	2,765,181	2,194,184		
Taxes Receivable, End of Year	<u>\$ 22,949</u>	<u>\$ 24,309</u>		
Taxes Receivable, By Years				
2016 and prior	\$ 14,195	\$ 17,363		
2017	8,754	6,946		
Taxes Receivable, End of Year	<u>\$ 22,949</u>	<u>\$ 24,309</u>		
Property Valuations:	2017 (a)	2016 (a)	2015 (a)	2014 (a)
Land and improvements	\$ 702,710,278	\$ 648,394,754	\$ 579,111,771	\$ 514,296,755
Total Property Valuations	<u>\$ 702,710,278</u>	<u>\$ 648,394,754</u>	<u>\$ 579,111,771</u>	<u>\$ 514,296,755</u>
Tax Rates per \$100 Valuation:				
Debt Service tax rates	\$ 0.3130	\$ 0.3346	\$ 0.3788	\$ 0.4343
Maintenance tax rates	0.3945	0.3729	0.3432	0.3017
Total Tax Rates per \$100 Valuation:	<u>\$ 0.7075</u>	<u>\$ 0.7075</u>	<u>\$ 0.7220</u>	<u>\$ 0.7360</u>
Adjusted Tax Levy	<u>\$ 4,970,642</u>	<u>\$ 4,588,078</u>	<u>\$ 4,181,281</u>	<u>\$ 3,785,223</u>
Percent of Taxes Collected to Taxes Levied **	<u>99.7%</u>	<u>99.9%</u>	<u>99.9%</u>	<u>99.9%</u>
Maximum Maintenance Tax Rate Approved by Voters:	\$ 1.50	on 4/5/1986		

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

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

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2018

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE BONDS SERIES 2007			UNLIMITED TAX AND REVENUE BONDS SERIES 2011			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2012		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2019	\$ -	\$ 33,200	\$ 33,200	\$ 195,000	\$ 114,369	\$ 309,369	\$ 200,000	\$ 85,700	\$ 285,700
2020	-	33,200	33,200	205,000	110,469	315,469	220,000	79,700	299,700
2021	-	33,200	33,200	220,000	105,856	325,856	220,000	73,100	293,100
2022	-	33,200	33,200	230,000	100,906	330,906	240,000	66,500	306,500
2023	-	33,200	33,200	245,000	95,156	340,156	240,000	58,100	298,100
2024	-	33,200	33,200	260,000	88,419	348,419	265,000	49,700	314,700
2025	-	33,200	33,200	275,000	80,619	355,619	260,000	40,425	300,425
2026	-	33,200	33,200	295,000	72,369	367,369	285,000	31,325	316,325
2027	-	33,200	33,200	310,000	63,150	373,150	305,000	21,350	326,350
2028	-	33,200	33,200	330,000	52,300	382,300	305,000	10,675	315,675
2029	400,000	33,200	433,200	350,000	40,750	390,750	-	-	-
2030	430,000	17,200	447,200	370,000	28,500	398,500	-	-	-
2031	-	-	-	390,000	14,625	404,625	-	-	-
	<u>\$ 830,000</u>	<u>\$ 382,400</u>	<u>\$ 1,212,400</u>	<u>\$ 3,675,000</u>	<u>\$ 967,488</u>	<u>\$ 4,642,488</u>	<u>\$ 2,540,000</u>	<u>\$ 516,575</u>	<u>\$ 3,056,575</u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2018

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2014			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2015			UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2017		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2019	\$ 270,000	\$ 96,044	\$ 366,044	\$ 185,000	\$ 352,200	\$ 537,200	\$ 575,000	\$ 118,700	\$ 693,700
2020	270,000	89,294	359,294	340,000	207,200	547,200	585,000	107,200	692,200
2021	290,000	81,194	371,194	340,000	193,600	533,600	425,000	83,800	508,800
2022	290,000	72,494	362,494	365,000	180,000	545,000	450,000	66,800	516,800
2023	315,000	63,794	378,794	365,000	165,400	530,400	460,000	57,800	517,800
2024	335,000	54,344	389,344	390,000	150,800	540,800	475,000	48,600	523,600
2025	335,000	44,294	379,294	415,000	135,200	550,200	500,000	29,600	529,600
2026	355,000	34,244	389,244	440,000	118,600	558,600	240,000	9,600	249,600
2027	375,000	23,594	398,594	460,000	101,000	561,000	-	-	-
2028	395,000	12,344	407,344	480,000	82,600	562,600	-	-	-
2029	-	-	-	505,000	63,400	568,400	-	-	-
2030	-	-	-	525,000	43,200	568,200	-	-	-
2031	-	-	-	555,000	22,200	577,200	-	-	-
	<u>\$ 3,230,000</u>	<u>\$ 571,640</u>	<u>\$ 3,801,640</u>	<u>\$ 5,365,000</u>	<u>\$ 1,815,400</u>	<u>\$ 7,180,400</u>	<u>\$ 3,710,000</u>	<u>\$ 522,100</u>	<u>\$ 4,232,100</u>

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2018

DUE DURING FISCAL YEARS ENDING 9/30	ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal	Interest	Total
	Due 9/1	Due 3/1, 9/1	
2019	\$ 1,425,000	\$ 800,213	\$ 2,225,213
2020	1,620,000	627,063	2,247,063
2021	1,495,000	570,750	2,065,750
2022	1,575,000	519,900	2,094,900
2023	1,625,000	473,450	2,098,450
2024	1,725,000	425,063	2,150,063
2025	1,785,000	363,338	2,148,338
2026	1,615,000	299,338	1,914,338
2027	1,450,000	242,294	1,692,294
2028	1,510,000	191,119	1,701,119
2029	1,255,000	137,350	1,392,350
2030	1,325,000	88,900	1,413,900
2031	945,000	36,825	981,825
	<u>\$ 19,350,000</u>	<u>\$ 4,775,603</u>	<u>\$ 24,125,603</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2018**

	<u>Series 2007</u>	<u>Series 2010</u>	<u>Series 2011</u>	<u>Series 2012</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2017</u>	<u>Total</u>
Interest Rate	3.50 - 4.00%	3.50 - 4.00%	2.00 - 3.75%	2.00 - 3.50%	2.00 - 3.125%	2.00 - 4.00%	2.00 - 4.00%	
Dates 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 Dates	9/1/2030	9/1/2018	9/1/2031	9/1/2028	9/1/2028	9/1/2031	9/1/2026	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 830,000	\$ 375,000	\$ 3,860,000	\$ 2,875,000	\$ 3,255,000	\$ 5,565,000	\$ 3,710,000	\$ 20,470,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	-
Retirements During the Current Fiscal Year:								
Principal	-	(375,000)	(185,000)	(335,000)	(25,000)	(200,000)	-	(1,120,000)
Refunded	-	-	-	-	-	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 830,000</u>	<u>\$ -</u>	<u>\$ 3,675,000</u>	<u>\$ 2,540,000</u>	<u>\$ 3,230,000</u>	<u>\$ 5,365,000</u>	<u>\$ 3,710,000</u>	<u>\$ 19,350,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 33,200</u>	<u>\$ 15,000</u>	<u>\$ 118,069</u>	<u>\$ 94,075</u>	<u>\$ 326,044</u>	<u>\$ 322,200</u>	<u>\$ 118,700</u>	<u>\$ 1,027,288</u>
Paying Agent's Name & Address:	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>	<u>UMB Bank, NA</u> <u>Dallas, TX</u>
Bond Authority:	<u>Tax Bonds *</u>	<u>Refunding Bonds</u>						
Amount Authorized by Voters	\$ 69,443,000	\$ -						
Amount Issued	<u>(34,230,000)</u>	<u>24,935,000</u>						
Remaining To Be Issued	<u>\$ 35,213,000</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, 2018: \$ 864,869

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 1,855,816

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND
FIVE YEARS ENDED SEPTEMBER 30, 2018

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
<u>GENERAL FUND</u>										
REVENUES:										
Water, wastewater and garbage service, including penalties	\$ 3,864,303	\$ 3,918,941	\$ 3,798,056	\$ 3,798,324	\$ 3,865,382	55.6	60.5	64.6	69.5	71.0
Property taxes, including penalties and interest	2,767,651	2,419,396	1,989,812	1,553,121	1,521,641	39.9	37.3	33.8	28.4	27.9
Park fees	44,400	-	-	23,940	5,400	0.6	-	-	0.4	0.1
Interest	192,116	92,244	33,472	7,091	6,327	2.8	1.4	0.6	0.1	0.1
System connection fees	-	-	-	-	21,600	-	-	-	-	0.4
Miscellaneous	76,235	53,841	61,800	89,107	25,300	1.1	0.8	1.0	1.6	0.5
Total revenues	6,944,705	6,484,422	5,883,140	5,471,583	5,445,650	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Current:										
Water, wastewater and garbage	2,206,456	2,174,521	2,426,152	2,887,959	3,001,990	31.8	33.5	41.2	52.8	55.1
Park maintenance	605,781	488,672	502,174	456,664	503,338	8.7	7.6	8.5	8.4	9.2
General manager services	309,921	302,703	303,864	303,795	301,266	4.5	4.7	5.2	5.6	5.5
Legal fees	100,172	101,362	105,449	104,735	134,258	1.4	1.6	1.8	1.9	2.5
Repairs and maintenance	927,555	418,654	213,193	182,969	221,698	13.4	6.5	3.6	3.4	4.1
Inspection fees/meter purchases	-	-	-	-	2,585	-	-	-	-	-
Engineering fees	66,494	129,387	87,988	43,157	57,562	1.0	2.0	1.5	0.8	1.1
Security services	121,801	110,330	116,191	104,001	104,712	1.8	1.7	2.0	1.9	1.9
Utilities	23,974	26,026	31,282	29,496	32,386	0.3	0.4	0.5	0.5	0.6
Auditing fees	15,750	15,500	15,250	15,000	14,900	0.2	0.2	0.3	0.3	0.3
Accounting fees	66,400	66,750	66,750	66,750	66,750	1.0	1.0	1.1	1.2	1.2
Directors' fees	20,830	20,400	22,920	18,720	16,470	0.3	0.3	0.4	0.3	0.3
Chemicals	52,308	61,809	39,769	98,139	120,800	0.8	1.0	0.7	1.8	2.2
Office expenditures	340,249	306,667	309,384	290,842	273,610	4.9	4.7	5.3	5.3	5.0
Tax appraisal/collection fees	15,876	14,521	12,558	10,475	9,311	0.2	0.2	0.2	0.2	0.2
Insurance	21,679	18,952	16,919	16,612	15,521	0.3	0.3	0.3	0.3	0.3
Other	121,632	111,940	98,814	87,403	100,395	1.8	1.7	1.7	1.6	1.8
Contracted services	15,966	27,179	36,829	128,365	62,867	0.2	0.4	0.6	2.3	1.2
Capital outlay	1,131,542	169,952	313,233	231,915	1,116,609	16.3	2.6	5.3	4.2	20.5
Total expenditures	6,164,386	4,565,325	4,718,719	5,076,997	6,157,028	88.8	70.4	80.2	92.8	113.0
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 780,319	\$ 1,919,097	\$ 1,164,421	\$ 394,586	\$ (711,378)	11.2	29.6	19.8	7.2	(13.0)

(continued)

NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -
GENERAL FUND AND DEBT SERVICE FUND (continued)
FIVE YEARS ENDED SEPTEMBER 30, 2018

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
<u>DEBT SERVICE FUND</u>										
REVENUES:										
Property taxes, including penalties and interest	\$ 2,196,144	\$ 2,171,366	\$ 2,197,214	\$ 2,235,619	\$ 2,223,203	98.1	91.8	99.5	89.6	93.2
Net bond activity	-	170,348	-	256,855	159,364	-	7.2	-	10.3	6.7
Interest	42,753	22,768	10,774	2,231	1,828	1.9	1.0	0.5	0.1	0.1
Total revenues	2,238,897	2,364,482	2,207,988	2,494,705	2,384,395	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Tax appraisal/collection fees	12,596	13,030	13,860	15,079	13,593	0.6	0.6	0.6	0.6	0.6
Principal payments	1,120,000	1,405,000	1,450,000	1,340,000	1,240,000	50.0	59.4	65.7	53.7	52.0
Interest payments	1,027,288	680,841	802,930	762,641	901,675	45.9	28.8	36.4	30.6	37.8
Fiscal agent fees and other	5,920	5,284	4,191	8,827	4,868	0.3	0.2	0.2	0.4	0.2
Bond refunding expenditures	887	171,246	847	254,826	154,595	-	7.2	-	10.2	6.5
Total expenditures	2,166,691	2,275,401	2,271,828	2,381,373	2,314,731	96.8	96.2	102.9	95.5	97.1
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 72,206	\$ 89,081	\$ (63,840)	\$ 113,332	\$ 69,664	3.2	3.8	(2.9)	4.5	2.9
TOTAL ACTIVE RETAIL WATER CONNECTIONS	2,999	3,000	2,994	2,968	2,971					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	2,988	2,976	2,987	2,962	2,962					

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2018**

Complete District Mailing Address:	c/o Armbrust & Brown, PLLC 100 Congress Ave. Suite 1300, Austin TX 78701
District Business Telephone Number:	(512) 435-2300
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054:	January 4, 2019
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
Board Members:				
BRENDA RICHTER	(Elected) 11/06/2018 - 11/8/2022	\$ 4,500	\$ 1,429	President
ROBIN CAMPBELL	(Elected) 11/8/2016 - 11/3/2020	\$ 3,000	\$ -	Vice-President
CHRISTOPHER CAPERS	(Elected) 11/06/2018 - 11/8/2022	\$ 4,950	\$ 1,207	Secretary
FELIX T. AMARO, JR.	(Elected) 11/08/2016 - 11/3/2020	\$ 6,600	\$ -	Treasurer
R. LEE HILL	(Elected) 11/06/2018 - 11/8/2022	\$ -	\$ -	Assistant Secretary

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

Consultants:

Crossroads Utility Service	2010	\$ 596,661	\$ -	District Manager
Armbrust & Brown, PLLC	1997	\$ 112,987	\$ -	Attorney
Bott & Douthitt, PLLC	2009	\$ 66,400	\$ 512	District Accountant
McCall Gibson Swedlund Barfoot PLLC	2011	\$ 15,750	\$ -	Auditor
360 Professional Services, Inc.	2012	\$ 135,974	\$ -	Engineer
Public Finance Group, LLC	2014	\$ 2,080	\$ -	Financial Advisor
McCall Parkhurst & Horton, LLP	1994	\$ -	\$ 887	Bond Counsel
Travis County Tax Collector	1994	\$ 5,002	\$ -	Tax Collector

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**OTHER SUPPLEMENTARY
INFORMATION**

NORTHTOWN MUNICIPAL UTILITY DISTRICT
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2018

Taxpayer	Type of Property	Tax Roll Year		
		2018	2017	2016
CL Tech Ridge LP & Tech Ridge LA Partners	N/A	46,060,000	43,300,000	43,600,000
Belkorp Oaks LLC	N/A	37,701,910	34,791,910	33,791,910
Logistics II Tech Ridge Portfolio LLC	N/A	22,242,001	19,608,051	-
Village @ Northtown Ltd.	N/A	19,927,540	11,212,498	11,450,711
Lantower Techridge Austin LP	N/A	15,065,400	13,957,650	-
MCN Lakewood LLC	N/A	12,819,935	-	-
A M Petroleum Inc.	N/A	3,098,392	2,783,575	2,361,269
Applied Materials Inc.	N/A	2,874,369	879,378	2,520,112
Village @ Northtown LTD &	N/A	2,717,708	-	-
Homeowner	N/A	871,748	827,062	-
Lakewood SDF LLC	N/A	-	11,542,145	11,199,935
Jeffercindershan Ltd.	N/A	-	965,431	965,431
Realty Associates Fund IX LP	N/A	-	-	17,518,635
Advanced Energy Industries Inc.	N/A	-	-	1,229,333
Oaks at Techridge Phase 3 Partners LP	N/A	-	-	1,013,620
Total		\$ 163,379,003	\$ 139,867,700	\$ 125,650,956
Percent of Assessed Valuation		21.1%	19.9%	19.4%

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**NORTHTOWN MUNICIPAL UTILITY DISTRICT
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2018**

Type of Property	Tax Roll Year					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 629,313,599	81.2%	\$ 583,566,546	83.0%	\$ 538,932,920	83.1%
Multi Family Residence	124,784,836	16.1%	116,203,846	16.5%	99,175,830	15.3%
Vacant Lot	1,654,252	0.2%	898,600	0.1%	1,397,226	0.2%
Qualified Ag Land	12,500	-	-	-	-	-
Non-Qualified Land	24,091,302	3.1%	13,496,849	1.9%	14,119,989	2.2%
Commercial Real Property	25,340,393	3.3%	22,391,626	3.2%	19,879,904	3.1%
Telephone Company	164,004	-	123,850	-	153,932	0.0%
Commercial Personal Property	2,700,856	0.3%	2,056,284	0.3%	3,532,860	0.5%
Industrial Personal Property	151,511,986	19.6%	74,831,822	10.6%	112,699,881	17.4%
Residential Inventory	-	-	660,354	0.1%	-	-
Totally Exempt Property	24,269,454	3.1%	23,579,884	3.4%	8,417,225	1.3%
Less: Adjustments	(209,009,505)	-26.9%	(135,099,383)	-19.1%	(149,915,013)	-23.1%
Total Taxable	<u>\$ 774,833,677</u>	<u>100.0%</u>	<u>\$ 702,710,278</u>	<u>100.0%</u>	<u>\$ 648,394,754</u>	<u>100.0%</u>

APPENDIX B
Form of Bond Counsel Opinion

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

**NORTHTOWN MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,930,000**

AS BOND COUNSEL FOR NORTHTOWN MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on August 27, 2019, authorizing the issuance of the Bonds and the pricing certificate executed by the pricing officer as designated in the order (collectively, the "Order").

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

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



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

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

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

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



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

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

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

Respectfully,

APPENDIX C
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

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