

**OFFICIAL STATEMENT, DATED JULY 28, 2015**

**NEW ISSUE-BOOK-ENTRY-ONLY      RATINGS: AGM Insured: S&P “AA” (Stable Outlook); Moody’s Underlying: “A1”  
See “MUNICIPAL BOND RATINGS AND INSURANCE”**

*Delivery of the Bonds is subject to the opinion of Bond Counsel to the effect that interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on corporations. THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS.” See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.*

**\$5,635,000**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
(A Political Subdivision of the State of Texas Located in Travis County, Texas)  
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2015**

**Dated Date: August 1, 2015**

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

Interest on the Bonds maturing on September 1, 2018 and September 1, 2019 (collectively, the “Capital Appreciation Bonds”) will accrete from the date of delivery, will be compounded September 1 and March 1 of each year, commencing September 1, 2015, and will be payable only upon maturity. See “APPENDIX B – Schedule of Accreted Values.” Interest on the Bonds maturing on September 1 in each of the years 2016 through 2017 and September 1, 2020 through 2031 (the “Current Interest Bonds”) will accrue from the date of delivery and will be payable September 1 and March 1 of each year, commencing March 1, 2016. The Current Interest Bonds and the Capital Appreciation Bonds are collectively referred to herein as the “Bonds.” The definitive Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Current Interest Bonds and maturity value of the Capital Appreciation Bonds will be payable by the paying agent/registrars to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds is BOKF, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”). The Bonds will be issued only in fully registered form. The Current Interest Bonds will be issued in the denomination of \$5,000 of principal amount or integral multiples thereof, and the Capital Appreciation Bonds will be issued in amounts which mature in \$5,000 denominations, or integral multiples thereof, including both principal and interest. See “APPENDIX B – Schedule of Accreted Values.”

The Bonds are being issued to: (i) advance refund a portion of the District’s Unlimited Tax and Revenue Bonds, Series 2009, to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds. See “PLAN OF FINANCING.” The Current Interest Bonds maturing on and after September 1, 2023, 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, 2022 or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity.

The scheduled payment of principal of (or, in the case of Capital Appreciation Bonds, the accreted value) and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See “BOND INSURANCE.”



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**MATURITY SCHEDULE**  
(see inside cover page)

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THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS” herein.

The Bonds are offered for delivery when, as and if issued by the District, 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 Underwriters listed below (the “Underwriters”) by their counsel, Andrews Kurth LLP, Austin, Texas. The Bonds in definitive form are expected to be available for delivery through DTC on August 20, 2015.

**Hutchinson, Shockey, Erley & Co.  
SAMCO Capital Markets, Inc.**

**MATURITIES**  
**\$5,250,000**  
**Current Interest Bonds**  
**(Due September 1)**

Due	Principal Amount	Interest Rate	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>	Due	Principal Amount	Interest Rate	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Number <sup>(c)</sup>
2016	\$ 30,000	2.000%	0.850%	667052MF8	2025 <sup>(a)</sup>	\$ 415,000	4.000%	2.610%	667052MQ4
2017	40,000	2.000%	1.190%	667052MG6	2026 <sup>(a)</sup>	440,000	4.000%	2.790%	667052MR2
***	***	***	***	***	2027 <sup>(a)</sup>	460,000	4.000%	2.910%	667052MS0
2020	340,000	4.000%	1.750%	667052MK7	2028 <sup>(a)</sup>	480,000	4.000%	3.030%	667052MT8
2021	340,000	4.000%	2.010%	667052ML5	2029 <sup>(a)</sup>	505,000	4.000%	3.120%	667052MU5
2022	365,000	4.000%	2.240%	667052MM3	2030 <sup>(a)</sup>	525,000	4.000%	3.190%	667052MV3
2023	365,000	4.000%	2.370%	667052MN1	2031 <sup>(a)</sup>	555,000	4.000%	3.250%	667052MW1
2024	390,000	4.000%	2.480%	667052MP6					

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Current Interest Bonds maturing on and after September 1, 2023, in whole or from time to time in part, on September 1, 2022, 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 redemption date. The initial yields at which the Current Interest Bonds will be priced will be established by and will be the sole responsibility of the Underwriters. The yields may be changed at any time at the discretion of the Underwriters.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC 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. Neither the Underwriters, the District, nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**\$385,000**  
**Capital Appreciation Bonds <sup>(a)</sup>**  
**(Due September 1)**

Due	Initial Offering Price	Original Principal Amount	Purchase Price Per \$5,000 at Maturity	Initial Reoffering Yield <sup>(b)</sup>	Total Payment at Maturity <sup>(c)</sup>	CUSIP Number <sup>(d)</sup>
2018	95.027	\$ 200,000	\$ 4,751.35	1.690%	\$ 315,000	667052MH4
2019	92.587	185,000	4,629.35	1.920%	330,000	667052MJ0

(Interest accrues from date of delivery)

- (a) The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity. See “THE BONDS – Redemption.”
- (b) The initial reoffering yields on the Capital Appreciation Bonds are established by, and are the sole responsibility of, the Underwriters, and may subsequently be changed. Initial reoffering yields represent the initial offering price to the public of a substantial amount of the Capital Appreciation Bonds of each maturity which may be changed for subsequent purchasers.
- (c) Interest is compounded semiannually on each September 1 and March 1, commencing September 1, 2015 and payable only at stated maturity.
- (d) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC 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. Neither the Underwriters, the District, nor the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein.

**ASSURED GUARANTY MUNICIPAL CORP. (“AGM”) MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTING IN THE BONDS. IN ADDITION, AGM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING AGM SUPPLIED BY AGM AND PRESENTED UNDER THE HEADING “BOND INSURANCE” AND “APPENDIX D - 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

### **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 Underwriters 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 UNDERWRITERS 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**

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

## MUNICIPAL BOND RATINGS AND INSURANCE

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

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

### BOND INSURANCE

#### **Bond Insurance Policy**

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

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

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

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

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

#### *Current Financial Strength Ratings*

On June 29, 2015, S&P issued a credit rating report in which it affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On November 13, 2014, KBRA assigned an insurance financial strength rating of "AA+" (stable outlook) to AGM. AGM can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, Moody's issued a rating action report stating that it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). On February 18, 2015, Moody's published a credit opinion under its new financial guarantor ratings methodology maintaining its existing rating and outlook on AGM. AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2014.

#### *Capitalization of AGM*

At March 31, 2015, AGM's policyholders' surplus and contingency reserve were approximately \$3,730 million and its net unearned premium reserve was approximately \$1,702 million. Such amounts represent the combined surplus, contingency reserve and net unearned premium reserve of AGM, AGM's wholly owned subsidiary Assured Guaranty (Europe) Ltd. and 60.7% of AGM's indirect subsidiary Municipal Assurance Corp.; each amount of surplus, contingency reserve and net unearned premium reserve for each company was determined in accordance with statutory accounting principles.

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

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2014 (filed by AGL with the SEC on February 26, 2015); and
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2015 (filed by AGL with the SEC on May 8, 2015).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 31 West 52nd Street, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

#### *Miscellaneous Matters*

AGM or one of its affiliates may purchase a portion of the Bonds or any uninsured bonds offered under this Official Statement and such purchases may constitute a significant proportion of the bonds offered. AGM or such affiliate may hold such Bonds or uninsured bonds for investment or may sell or otherwise dispose of such Bonds or uninsured bonds at any time or from time to time.

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

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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, which 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 - Location."
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 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 Developer.....	Village @ Northtown Ltd. ("Village" or the "Developer") owns approximately 327 acres within the District, of which approximately 272 acres are developable. Village has informed the District that it intends to develop the approximately 272 acres as a mixed use development including detached single family residential, attached single family residential, multifamily residential, office, retail and commercial uses. 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. 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. A revision 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 was approved in December 2011. Final platting of this area is complete, but no single family home construction on the Village property has yet commenced.
Status of Development .....	The District contains approximately 997.33 developable acres, of which approximately 776.33 acres (or 77.84 % of the developable acres) have been developed with utility facilities as eleven residential subdivisions containing a total of 2,956 platted single family lots as of June 1, 2015. As of the same date, the District contained a total of 2,878 completed single family homes (of which 2,866 homes were occupied), no homes under construction and 78 vacant but developed single family lots. Additionally, the District contains the following multi-family development: Parkway at Northtown (86 multi-family units); Parkside at Northtown (144 multi-family units); Villas at Techridge (350 multi-family units); and The Lakes at Techridge (336 multi-family units). See "THE DISTRICT –Historical and Current Status of Development."



## THE BONDS

Description .....	The Current Interest Bonds are serial bonds in the aggregate principal amount of \$5,250,000 maturing annually in varying amounts on September 1 of each of the years 2016 through 2017 and 2020 through 2031. Interest accrues on the Current Interest Bonds from August 1, 2015 at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2016 and each September 1 and March 1 thereafter until maturity. The Capital Appreciation Bonds will be issued in the original principal amount of \$385,000 and will mature together with interest accreted from initial delivery on September 1, 2018 and September 1, 2019. Interest on the Capital Appreciation Bonds accretes from the date of delivery at the rate per annum set forth on the inside cover page hereof and compounds each September 1 and March 1 commencing September 1, 2015 until maturity. The Current Interest Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity, and the Capital Appreciation Bonds are offered in fully registered form in denominations which result in total amounts due at maturity in integral multiples of \$5,000. See "THE BONDS - General Description."
Redemption .....	The Current Interest Bonds maturing on and after September 1, 2023 are subject to redemption in whole or from time to time in part at the option of the District on September 1, 2022, or any date thereafter, in integral multiples of \$5,000 at par plus accrued interest from the most recent interest payment date to the date of redemption. The Capital Appreciation Bonds are not subject to redemption prior to their states maturity. See "THE BONDS - Redemption."
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." 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, sanitary wastewater and drainage system (the "System") within 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. <b>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.</b> See "THE BONDS - Source of and Security for Payment."
Payment Record .....	<p>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 bonds for water, wastewater, and drainage facilities. The District has issued nine series of new money bonds and has \$35,213,000 remaining in authorized but unissued unlimited tax and revenue new money bonds. Additionally, the District has previously issued four series of refunding bonds in the original aggregate principal amount of \$15,590,000. After the issuance of the Bonds, the District will have outstanding new money bonds in the aggregate principal amount of \$6,770,000 and outstanding refunding bonds in the aggregate principal amount of \$17,915,000 for a combined outstanding debt in the aggregate principal amount of \$24,685,000 (the "Outstanding Bonds"). See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."</p> <p>The District has not defaulted in the payment of the principal and interest on the Outstanding Bonds. The District has utilized bond proceeds to capitalize interest from one to two years in connection with the new money Outstanding Bonds. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."</p>
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, and an order adopted by the Board of Directors of the District and a pricing certificate to be executed by the pricing officer as 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) advance refund a portion of the District's Unlimited Tax and Revenue Bonds, Series 2009, to achieve a debt service savings; and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING – The Refunded Bonds," and "– 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 bonds for water, wastewater, and drainage facilities. To date, the District has issued nine installments of bonds to acquire utility facilities in the aggregate principal amount of \$34,230,000, 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 Bonds, none of which have been issued and none of which are currently expected to be issued in the future. See "THE DISTRICT – City of Austin Consent Agreement." See "FINANCIAL STATEMENT - Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Insurance .....	Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A1" to the Bonds.
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 2015 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.
Underwriters' Counsel .....	Andrews Kurth LLP, Austin, Texas
Financial Advisor .....	Public Finance Group LLC, 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.

**SELECTED FINANCIAL INFORMATION**  
**(Unaudited as of July 1, 2015)**

2014 Certified Assessed Valuation	\$514,452,256	(a)
2015 Preliminary Assessed Valuation	572,471,519	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 24,685,000	(c)
Ratio of Gross Debt to 2014 Certified Assessed Valuation	4.80%	
Ratio of Gross Debt to 2015 Preliminary Assessed Valuation	4.31%	
2014 Tax Rate		
Debt Service	\$ 0.4343	
Maintenance	0.3017	
Total 2014 Tax Rate	<u>\$ 0.7360</u>	(d)
Debt Service Fund Balance (as of July 28, 2015)	\$ 2,491,296	(e)
Percentage of current tax collections - (Tax Years 1997-2014)	98.76%	(f)
Percentage of total tax collections - (Tax Years 1997-2014)	99.42%	(f)
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2015-2025, inclusive)	\$ 2,163,270	
Tax Rate required to pay Average Requirement based upon 2014 Certified Assessed Valuation at 95% collections	\$ 0.45 /\$100 AV	
Tax Rate required to pay Average Requirement based upon 2015 Preliminary Assessed Valuation at 95% collections	\$ 0.40 /\$100 AV	
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2020)	\$ 2,259,869	
Tax Rate required to pay Maximum Requirement based upon 2014 Certified Assessed Valuation at 95% collections	\$ 0.47 /\$100 AV	
Tax Rate required to pay Maximum Requirement based upon 2015 Preliminary Assessed Valuation at 95% collections	\$ 0.42 /\$100 AV	
Number of active connections as of June 1, 2015		
Single Family - Occupied	2,842	
Single Family - Unoccupied	36	
Multi-Family - Duplexes (230 units) & Apartments (686 units)	916	
Other <sup>(g)</sup>	<u>41</u>	
Total Number of Active Connections	3,835	
Estimated Population as of June 1, 2015	12,067	(h)

- (a) Assessed valuation of the District as of January 1, 2014 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2015, as provided by TCAD, is included solely for purposes of illustration. No tax will be levied on such amount unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied a 2014 tax rate of \$0.7360. See "TAXING PROCEDURES."
- (e) Unaudited as of July 28, 2015. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections."
- (g) Includes Vacant Irrigation (1), Schools (2), Non-Profit (2), Fire Hydrants (1), District connections (9), Commercial (1), Builder (1) and Irrigation connections (24).
- (h) Based upon 3.5 residents per occupied single family home and 2.5 residents per occupied multi-family unit. Of the 916 multi-family units, 848 units are occupied as of June 1, 2015.

**OFFICIAL STATEMENT**  
**relating to**  
**\$5,635,000**  
**Northtown Municipal Utility District**  
**(A Political Subdivision of the State of Texas Located in Travis County, Texas)**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2015**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Northtown Municipal Utility District (the "District") of its \$5,635,000 Unlimited Tax and Revenue Refunding Bonds, Series 2015 (the "Bonds").

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on February 24, 2015 and a pricing certificate to be executed by the pricing officer authorized by the order (the order and pricing certificate are collectively referred to herein as the "Bond Order"), the 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.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. Copies of the Final Official Statement pertaining to the Bonds will be deposited with 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.

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, 7004 Bee Cave Road, Building 3, Suite 315, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

**PLAN OF FINANCING**

**Purpose**

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 system. 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"); and \$3,340,000 Unlimited Tax and Revenue Refunding Bonds, Series 2014 (the "Series 2014 Bonds"). All of the previously issued series of bonds are collectively referred to as the "Outstanding Bonds." See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS." The District reserves the right to issue the remaining \$35,213,000 authorized but unissued bonds; however, the issuance of any such bonds is subject to certain limitations as provided in the Consent Agreement (defined herein). In addition, District voters authorized the issuance of \$97,670,000 in Contract Bonds, none of which has been issued and none of which are currently expected to be issued in the future. See "THE DISTRICT – City of Austin Consent Agreement." See "FINANCIAL STATEMENT - Outstanding Bonds" and "THE BONDS – Issuance of Additional Debt."

The Bonds are being issued to achieve a debt service savings in the years 2015 through 2031, inclusive, by refunding \$5,635,000 of the District's Series 2009 Bonds (the "Refunded Bonds"). See "DEBT SERVICE REQUIREMENTS."

## The Refunded Bonds

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

Year	Series 2009	Total
2018	\$ 275,000	\$ 275,000
2019	300,000	300,000
2020	325,000	325,000
2021	325,000	325,000
2022	350,000	350,000
2023	350,000	350,000
2024	375,000	375,000
2025	400,000	400,000
2026	425,000	425,000
2027	450,000	450,000
2028	475,000	475,000
2029	500,000	500,000
2030	525,000	525,000
2031	560,000	560,000
	<b>\$ 5,635,000</b>	<b>\$ 5,635,000</b>
Redemption Date: 9/1/2016		

## Remaining Outstanding Bonds

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

Year	Series 2006	Series 2007	Series 2009	Series 2010	Series 2011	Series 2012	Series 2014	The Bonds	Total
2015	\$ 160,000	\$ 200,000	\$ 250,000	\$ 320,000	\$ 155,000	\$ 230,000	\$ 25,000	\$ -	\$ 1,340,000
2016	-	225,000	250,000	340,000	165,000	410,000	30,000	30,000	1,450,000
2017	-	225,000	275,000	355,000	175,000	305,000	30,000	40,000	1,405,000
2018	-	-	-	375,000	185,000	335,000	25,000	200,000	1,120,000
2019	-	-	-	560,000	195,000	200,000	270,000	185,000	1,410,000
2020	-	-	-	585,000	205,000	220,000	270,000	340,000	1,620,000
2021	-	-	-	425,000	220,000	220,000	290,000	340,000	1,495,000
2022	-	-	-	450,000	230,000	240,000	290,000	365,000	1,575,000
2023	-	-	-	465,000	245,000	240,000	315,000	365,000	1,630,000
2024	-	-	-	485,000	260,000	265,000	335,000	390,000	1,735,000
2025	-	-	-	510,000	275,000	260,000	335,000	415,000	1,795,000
2026	-	-	-	250,000	295,000	285,000	355,000	440,000	1,625,000
2027	-	-	-	-	310,000	305,000	375,000	460,000	1,450,000
2028	-	-	-	-	330,000	305,000	395,000	480,000	1,510,000
2029	-	400,000	-	-	350,000	-	-	505,000	1,255,000
2030	-	430,000	-	-	370,000	-	-	525,000	1,325,000
2031	-	-	-	-	390,000	-	-	555,000	945,000
	<b>\$ 160,000</b>	<b>\$ 1,480,000</b>	<b>\$ 775,000</b>	<b>\$ 5,120,000</b>	<b>\$4,355,000</b>	<b>\$ 3,820,000</b>	<b>\$ 3,340,000</b>	<b>\$5,635,000</b>	<b>\$ 24,685,000</b>

## Escrow Agreement

The principal of and interest due on the Refunded Bonds are to be paid on the redemption date of such Refunded Bonds from funds and direct obligations of the United States of America to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and BOKF, N.A. (the "Escrow Agent"). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriters, the District will deposit with the Escrow Agent cash and direct obligations of the United States ("Federal Securities") in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their respective maturity dates and redemption dates, as applicable.

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 maturity 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 the Federal Securities 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 orders authorizing the issuance of such Refunded Bonds and in accordance with State law, including Chapter 1207, Texas Government Code, as amended. Bond Counsel will provide its opinion that, as a result of such defeasance and in reliance upon the Verification Report of Grant Thornton LLP, 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.

The District has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the Refunded Bonds, if for any reason, the cash balances on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment.

## Sources and Uses of Funds

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

### Sources of Funds:

Par Amount of Bonds	\$5,635,000.00
Original Issue Premium	<u>625,660.55</u>
Total Sources of Funds	\$6,260,660.55

### Uses of Funds:

Escrow Deposit	\$6,003,806.13
Costs of Issuance (includes municipal bond insurance premium)	194,677.13
Underwriters' Discount	58,345.57
Deposit to Debt Service Fund (Rounding Amount)	<u>3,831.72</u>
Total Uses of Funds	\$6,260,660.55

## THE BONDS

### General Description

The Current Interest Bonds will bear interest from August 1, 2015 and will mature on September 1 in 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 Current Interest Bonds will be paid on March 1, 2016 and each September 1 and March 1 (each, an "Interest Payment Date") thereafter until maturity or prior redemption. Interest on the Capital Appreciation Bonds will accrete from the date of delivery, will be compounded each September 1 and March 1 of each year, commencing September 1, 2015 and will be payable only upon maturity. See "Appendix B – Schedule of Accreted Values."

The Bonds will be initially 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-only form. 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/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is BOKF, N.A. (the "Paying Agent/Registrar").

## **Yield on Capital Appreciation Bonds**

The approximate yields of the Capital Appreciation Bonds as set forth on the inside cover page of this Official Statement are based upon the initial offering price therefor set forth on the inside cover page of this Official Statement. Such offering price includes the principal amount of such Capital Appreciation Bonds plus premium, if any, equal to the amount by which such offering price exceeds the principal amount of such Capital Appreciation Bonds. The yield on the Capital Appreciation Bonds to a particular purchaser may differ depending upon the price paid by the purchaser. For various reasons, securities that do not pay interest periodically, such as the Capital Appreciation Bonds, have traditionally experienced greater price fluctuations in the secondary market than securities that pay interest on a periodic basis.

## **Redemption**

**Optional Redemption...** The Current Interest Bonds maturing on and after September 1, 2023, 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, 2022, 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. The Capital Appreciation Bonds are not subject to redemption.

**Notice of Redemption . . .** At least 30 calendar days prior to the date fixed for any redemption of the Current Interest Bonds or portions thereof prior to maturity a written notice of such redemption shall be sent by the Paying Agent/Registrar by the United States mail, first-class postage prepaid, at least 30 calendar days prior to the date fixed for redemption, to the registered owner of each Current Interest Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services. The Current Interest Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Current Interest Bond to be partially redeemed must be surrendered in exchange for one or more new Current Interest Bonds of the same maturity for the unredeemed portion of the principal of the Current Interest Bonds so surrendered. In the event of redemption of less than all of the Current Interest Bonds, the particular Current Interest Bonds to be redeemed shall be selected by the District, if less than all of the Current Interest Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Current Interest Bonds of such maturity to be redeemed by lot or other customary random method.

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

## **DTC Redemption Provision**

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

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

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

*Payment . . .* Principal of the Current Interest 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 Current Interest 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 Current Interest Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

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

*Limitation on Transfer of Bonds . . .* Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Current Interest Bonds (i) during the period commencing on the close of business on the fifteenth (15<sup>th</sup>) (whether or not a business day) calendar day of the month preceding each interest payment date (the “Record Date”) and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

## **Replacement Bonds**

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

## **Authority for Issuance**

At an election held within the District on December 21, 1985, voters within the District authorized a total of \$69,443,000 in principal amount of bonds for water, wastewater, and drainage facilities. The District has issued nine series of new money 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 fifth installment of refunding bonds issued by the District. The Bonds are issued pursuant to the terms and provisions of the Bond Order, Chapter 1207 of the Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended and Article XVI, Section 59 of the Texas Constitution.

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 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.**

*Dissolution...* Under Texas law, the District may be annexed and dissolved by the City of Austin (the “City”) without the consent of the District or its residents. When and if the District is abolished, the City must assume the assets, functions, and obligations of the District (including the Bonds) and the pledge of taxes and Net Revenues, if any, will terminate. No representation is made concerning the likelihood of dissolution 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.”

## Payment Record

The District has never defaulted on the timely payment of the principal of or interest on its bonds. The District has utilized bond proceeds to capitalize interest from one to two years in connection with the new money Outstanding Bonds. 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 Underwriters, the amount received from proceeds of the Bonds representing accrued interest on the Bonds, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to 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 – 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 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 BOKF, N.A., the Paying Agent. The Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

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

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 storm 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. 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 \$1,599,000 of actual reimbursable construction costs have been incurred and will be payable to the developers pursuant to various reimbursement agreements, as hereinafter described. In March 2015, the District submitted an application to the TCEQ requesting approval to use surplus funds in the Capital Projects Fund to reimburse construction costs related to the construction of the utility facilities serving the Lakes at Northtown Sections 4 and 5. After that reimbursement is approved and distributed, approximately \$1,082,700 will remain owing and payable to the developers.

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”) 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, 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 debt service requirements (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 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 of Austin’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 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 or will not consolidate its water and wastewater system with any other district.

## **Annexation**

The District lies entirely within the extraterritorial jurisdiction of the City of Austin, Texas ("Austin" or the "City"). Under Texas law, the District may be annexed by the City without the District's consent. Upon annexation, the City would assume the District's assets and obligations, including the Bonds, and dissolve the District. The District has no control over or knowledge of the annexation plans of the City of Austin. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation 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 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 Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase.

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

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

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

The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be



received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

*Drought and Water Rates:* 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 2 water restrictions for residents of the District. The City of Austin provides water to the District in amounts sufficient to service the residents of the District, however, as 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. In late 2012, the City increased water and wastewater rates to wholesale customers, including the District. In April 2013, the District, together with several other wholesale water customers, filed an appeal of the increase. The appeal is on-going; however, in May 2014, the Administrative Law Judge presiding over the appeal issued an order rolling the District's wholesale rates back to the fiscal year 2012 rates during the pendency of the appeal. Although the City has indicated that it intends to again increase wholesale water and wastewater rates in November 2015, the Public Utility Commission will set the rates that the City may charge the District before the effective date of the City's proposed increase. After the Public Utility Commission sets the District's wholesale water and wastewater rates, the City must obtain permission from the Public Utility Commission before the City may increase the wholesale water and wastewater rates charged to the District.

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

*Developer under No Obligation to the District:* There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes 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 DEVELOPER" and "TAX DATA - Principal Taxpayers."

*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 2014 Certified Assessed Valuation of the District is \$514,452,256 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Requirement will be \$2,259,869 (2020) and the Average Requirement will be \$2,163,270 (2015 through 2025, inclusive). Assuming no increase or decrease from the 2014 Certified Assessed Valuation, the issuance of no additional debt and no other funds available for the payment of debt service, tax rates of \$0.47 and \$0.45 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. The District's 2015 Preliminary Assessed Valuation is \$572,471,519. Based upon such value, tax rates of \$0.42 and \$0.40 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and 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 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 Underwriters 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 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 bankruptcy, reorganization and other similar laws affecting the enforcement of creditors' rights generally.

### **Registered Owners' Remedies**

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

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

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

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

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

### **Marketability**

The District has no understanding with the Underwriters 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 an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

On November 26, 2014, the EPA announced a new proposed ozone NAAQS range of between 65-70 ppb. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

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

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

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies. Total maximum daily loads ("TMDLs") rules can have a significant impact on the District's ability to obtain TPDES permits and maintain those permits. The District may be required to expend substantial funds to meet any of these regulatory requirements. If the District fails to achieve compliance with its discharge permits, a private plaintiff or the EPA could institute a civil action for injunctive relief and civil penalties.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. 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.

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

### **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. As of the date hereof, the District's engineer estimates that approximately \$1,599,000 of actual reimbursable construction costs have been incurred and will be payable to the developers pursuant to various reimbursement agreements. In March 2015, the District submitted an application to the TCEQ requesting approval to use surplus funds in the Capital Projects Fund to reimburse construction costs related to the construction of the utility facilities serving the Lakes at Northtown Sections 4 and 5. After that reimbursement is approved and distributed, approximately \$1,082,700 will remain owing and payable to the developers. See "THE SYSTEM."

The District does not currently anticipate the issuance of the full principal amount of authorized but unissued 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. 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."

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

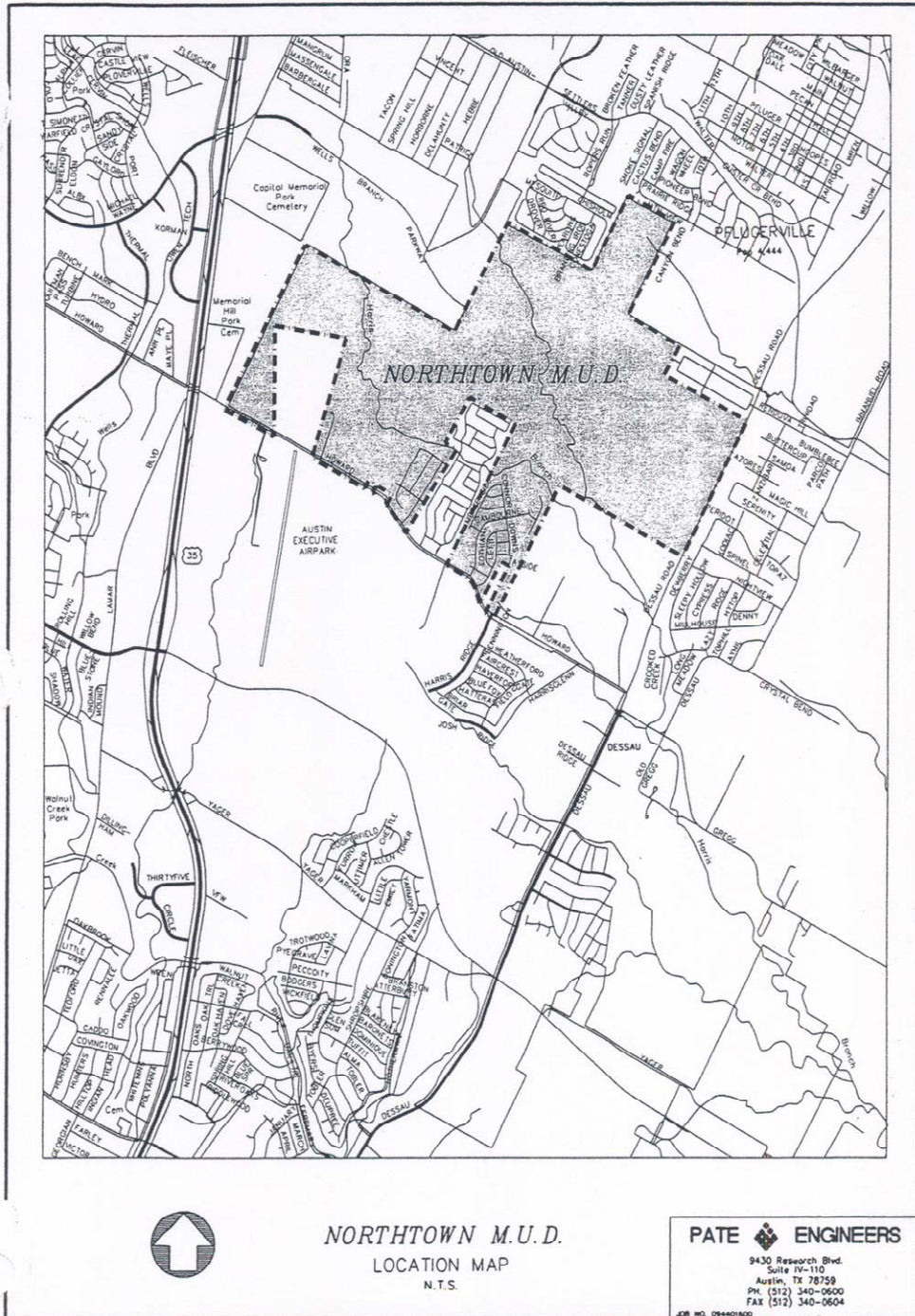
There is the potential for property within the District to be owned by tax-exempt entities such as the "Strategic Housing Finance Corporation of Travis County" ("SHFC"), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the Texas Local Government Code (the "Texas Housing Finance Corporations Act"). SHFC operates a lease-to-purchase affordable housing program for low to moderate income families in Travis County that was initially financed with the proceeds of \$35 million in Lease Purchase Revenue Bonds issued by SHFC in 2004. Pursuant to the program as currently structured by SHFC, low to moderate income families in Travis County pay a fee to SHFC which purchases a home and leases it back to the family for a period of thirty-nine (39) months. Under the Texas Housing Finance Corporations Act, all property owned by a nonprofit housing finance corporation, such as SHFC, is tax-exempt, therefore during the thirty-nine (39) month term of the lease within which SHFC owns the home, that property is removed from the tax rolls. If the tenant vacates the property or cannot afford to assume the mortgage at the end of the lease term, then the property may remain tax-exempt indefinitely. Presently, there are no homes within the District that are owned by SHFC and reflected on the 2014 tax roll. Because the SHFC program is between SHFC and an individual resident, the District cannot make any projection regarding the future impact the SHFC program may have on its taxable appraised values. It is not known whether SHFC will seek additional funding for its program in the future or alter the terms and leasing arrangements at which it offers homes through its programs. Additionally, taxable appraised values may also be adversely affected if similar lease-to-purchase affordable housing programs are instituted by other corporations created under the Texas Housing Finance Corporations Act.

### **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.



# 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 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 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, 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 does not currently have voter authorization to issue bonds for such purpose 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 must agree 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 of Austin ("Austin" or "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, and July 2, 2003, and the land plan contained in the Consent Agreement has been amended several times at the request of developers within the District, and with the approval of the City and the District, to address changing development plans, most recently in June 2013. 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 similar terms 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 late 2012, the City increased water and wastewater rates to wholesale customers, including the District. In April 2013, the District, together with several other wholesale water customers, filed an appeal of the increase. The appeal



is on-going; however, in May 2014, the Administrative Law Judge presiding over the appeal issued an order rolling the District's wholesale rates back to the fiscal year 2012 rates during the pendency of the appeal. Although the City has indicated that it intends to again increase wholesale water and wastewater rates in November 2015, the Public Utility Commission will set the rates that the City may charge the District before the effective date of the City's proposed increase. After the Public Utility Commission sets the District's wholesale water and wastewater rates, the City must obtain permission from the Public Utility Commission before the City may increase the wholesale water and wastewater rates charged to the District.

The Consent Agreement provides that each developer will serve as project manager for the construction of the portion of facilities constituting the District's utility 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. Under 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 Consent Agreement provides that the City may annex the District after eight years from the date of confirmation of creation of the District, which occurred December 21, 1985, if 90% of the District's facilities that were to be constructed through the issuance of bonds had not been completed by that date (December 21, 1993). Because 90% of the District's facilities were not completed by December 21, 1993, the City could technically proceed with annexation of the District at any time. Generally, under Texas law, the City may not annex any land within the District unless it annexes the entire District, assumes all of the District's obligations, including the Bonds, and dissolves the District. See "THE DISTRICT-Strategic Partnership Negotiations."

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, Austin has not initiated any discussions and no negotiations on the terms of any possible strategic partnership agreement or on the creation of a limited district have occurred.

### **Management of the District**

#### ***Board of Directors***

The District is governed by a Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years, with elections 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.

<b>Name</b>	<b>Position</b>	<b>Length of Service</b>	<b>Term Expires November</b>
Robin Campbell	President	15 ½ years	2016
Brenda Richter	Vice President	15 years	2018
Felix T. Amaro, Jr.	Assistant Secretary	3 ½ years	2016
Kathy Haught	Assistant Secretary	2 years	2018
Christopher Capers	Director	7 months	2018

## ***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 28 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.

### **Auditor**

McCall Gibson Swedlund Barfoot P.L.L.C. prepared the District's financial statements for the fiscal year ended September 30, 2014.

### **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 SVWW developed approximately 44.69 acres 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 (11 single family lots and 86 multi-family units).

In November, 2002, KB Home Lone Star L.P. (“KB”) purchased and developed approximately 8.19 acres within the District as Northtown Park, Section 8, containing 57 lots. KB 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 139 acres of land including approximate 129 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 Techridge 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 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 approximately 37 acres from DRLP. Of the total 327 acres, approximately 272 acres are currently developable. Village designed a master plan for the development of its 272 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 plans 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. 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, but no single family home construction on the Village property has yet commenced. Village’s Harris Ridge Boulevard improvements were completed in 2011 but, due to constructional 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 2015. As a result, 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.

As of June 1, 2015, the District contained a total of 2,878 completed single family homes, no homes under construction and 78 vacant but developed single family lots. Additionally, as of April 1, 2015, the District contained the following multi-family development: Parkway at Northtown, which contains 86 multi-family units; Parkside at Northtown, which contains 144 multi-family units; Villas at Techridge, which contains 350 multi-family units; and The Lakes at Techridge, which contains 336 multi-family units.

The chart on the following page reflects the status of development within the District as of June 1, 2015:

**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	165	-	2
<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	22.21	69	69	-	-
2	18.32	62	62	-	-
3	9.38	50	50	-	-
4	12.93	64	64	-	-
5	17.15	61	61	-	-
<i>The Lakes at Northtown Subtotal</i>	79.99	306	306	-	-
<u>Parkway at Northtown</u>	22.29	(a) 11	11	-	-
<u>Village at Northtown, Section 2</u>					
Phase 1	12.32	(a) 35	-	-	35
Phase 2	6.44	41	-	-	41
<i>Village at Northtown Section 2 Subtotal</i>	18.75	76	-	-	76
<b>Total Single Family</b>	<b>681.05</b>	<b>2,956</b>	<b>2,878</b>	<b>-</b>	<b>78</b>
Sections	Acreage		Multi-Family		
			Completed Units	Units Under Construction	Units to be Constructed
<u>Parkway at Northtown: Duplex Units</u>	-	(a)	86	-	-
<u>Parkside at Northtown: Duplex Units</u>	19.77		144	-	-
<u>Villas at Techridge: Apartments</u>	16.35		350	-	-
<u>The Lakes at Techridge: Apartments</u>	11.60		336	-	-
<u>Village at Northtown: Section 1 - Apartments</u>	19.00		-	-	418
<u>Village at Northtown: Section 2 - Duplex Units</u>	-	(a)	-	-	92
<b>Total Multi-Family</b>	<b>66.72</b>		<b>916</b>	<b>-</b>	<b>510</b>
<b>B. Commercial/Retail</b>					
<u>Village at Northtown, Section 1</u>	16.03		*approximately 280,000 - 350,000 sq. ft.		
<b>C. Elementary School</b>	12.53				
<b>Total Developed Acreage</b>	<b>776.33</b>				
<b>D. Remaining Undeveloped but Developable Acreage</b>					
<u>Village at Northtown</u>	205.01				
Other	16.00				
<i>Subtotal</i>	<b>221.00</b>				
<b>Total Developable Acreage</b>	<b>997.33</b>				
<b>E. Undevelopable Acreage</b>	<b>227.01</b>				
<b>Total Acreage</b>	<b>1,224.34</b>				

(a) Includes acreage for single-family and multi-family development.

## **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 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, the District upgraded the District's trail system.

## **THE DEVELOPER**

### **Role of a Developer**

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning 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 Developer**

Village is a Texas limited partnership whose general partner is Village @ Northtown General Partner, Inc., with Clifton E. Lind serving as President. Village purchased approximately 327 acres within the District through three separate acquisitions. Approximately 263 acres was acquired from PFLP for cash and a seven-year seller note, and approximately 27 acres was purchased from SVWW with seller financing. According to a representative of Village, both loans have been refinanced by loans from City Bank - Lubbock, and other entities affiliated with the principal owners. The principal amount of the loan from City Bank – Lubbock is \$14,628,155.53. The original loan matured on May 8, 2010, but has been renewed and extended several times and currently has a maturity date of February 20, 2016. According to Village, it is in compliance with the terms of the loan. The third tract, consisting of approximately 37 acres was purchased from DRLP by Jeffercindershan, Ltd., a Texas limited partnership whose general partner is Jeffercindershan General Partner, Inc., with Clifton E. Lind serving as President. The acquisition financing for the third tract was provided by cash and a one-year seller note which, according to Village, has been paid in full.

## **THE SYSTEM**

### **Regulation**

The District receives its water supply and wastewater treatment from the City of Austin ("the City" or "Austin") 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 gets water from two of the three water treatment plants serving the northern areas of Austin's 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 Walnut Creek Interceptor and Treatment Plant. The City has agreed to accept a pump-over of 1.0 mgd to the Walnut Creek 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 its 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 with a total replacement cost of approximately \$800,000.

### 100-Year Flood Plain

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.

## 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. In addition, the District collects certain tap fees from builders. The rates for water and wastewater service to utility customers of the District which are effective as of September 24, 2013:

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

##### In District Rates:

Basic Service rate (which includes solid waste disposal and recycling) .....	\$ 28.98 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

#### Water & Wastewater Charges for Commercial Customers & Multi-Family Customers (monthly billings)

##### In District Rates <sup>(a)</sup>:

Basic Service Rate (which does not include solid waste disposal or recycling) ..... \$ 19.90 per meter

##### Water Commodity Charge

per 1,000 gallons per month, where "Base" means the customer's average water usage during the winter averaging period.

<u>Gallons Used</u>	<u>Commodity Charge</u>
0 – Base	\$ 5.08
over Base to Base x 1.50	5.91
over Base x 1.50 to Base x 1.75	6.69
over Base x 1.75	7.59

Sewer Commodity Charge..... \$ 6.89 per 1,000 gallons

(a) For multi-unit residential complexes which receive solid waste disposal or recycling services: \$19.90 per meter, plus \$14.51 per dwelling unit.

#### Monthly Irrigation Meter Rates

Basic Service Rate..... \$ 19.90 per meter  
per 1,000 gallons per month, where "Base" means 7,000 gallons per LUE, based on irrigation meter size.

<u>Gallons Used</u>	<u>Commodity Charge</u>
0 – Base	\$ 5.08

over Base to Base x 1.50	5.91
over Base x 1.50 to Base x 1.75	6.69
over Base x 1.75	7.59

Rate per 1,000 gallons for usage during winter-averaging period.....\$ 7.59

Monthly In-District Fire Hydrant Rates per Fire Hydrant Meter

Service Availability Charge per Fire Hydrant Meter ..... \$100.00 (minimum)

Commodity Charge:

(a) Standard Rate ..... \$ 5.08 per 1,000 gallons

(b) Rate during winter averaging period..... 7.59 per 1,000 gallons

Monthly Out-of-District Sewer Rate..... \$ 8.90 per 1,000 gallons

*(The remainder of this page intentionally left blank)*

## 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					
	6/30/2015 <sup>(a)</sup>	9/30/2014 <sup>(b)</sup>	9/30/2013 <sup>(b)</sup>	9/30/2012 <sup>(b)</sup>	9/30/2011 <sup>(b)</sup>	9/30/2010 <sup>(b)</sup>
<b>REVENUES</b>						
Water and Wastewater Service	\$ 2,748,532	\$3,865,382	\$3,919,634	\$3,384,026	\$3,250,171	\$2,983,681
System Connection Fees	-	21,600	79,200	73,900	50,575	71,640
Property Tax Revenues	1,549,314	1,521,641	959,699	1,239,755	1,186,441	1,324,242
Park Fees	-	5,400	19,800	20,100	113,100	66,300
Interest Income	3,776	6,327	8,368	48,282	21,898	30,463
Miscellaneous	58,007	25,300	34,131	64,131	68,513	56,143
<b>TOTAL REVENUES</b>	<b>\$ 4,359,629</b>	<b>\$5,445,650</b>	<b>\$5,020,832</b>	<b>\$4,830,194</b>	<b>\$4,690,698</b>	<b>\$4,532,469</b>
<b>EXPENDITURES</b>						
Water, Wastewater & Garbage	\$ 2,104,791	\$3,001,990	\$2,979,253	\$2,758,619	\$2,630,998	\$2,347,651
Repairs and Maintenance	164,987	221,698	288,009	236,725	275,896	443,420
Utilities	23,947	32,386	32,959	17,140	16,527	14,428
Park Maintenance	320,559	503,338	506,984	527,065	664,390	591,207
Inspection Fees/Meter Purchases	-	2,585	6,457	4,792	3,319	9,469
General Manager Services	227,279	301,266	273,838	257,983	243,718	244,466
Legal Fees	57,373	134,258	132,624	165,866	173,351	189,291
Engineering Fees	29,647	57,562	142,577	98,597	350,490	224,738
Audit Fees	15,000	14,900	14,600	14,500	13,995	16,000
Restrictive Covenants	20,911	-	-	-	28,085	62,250
Security services	71,413	104,712	92,571	83,896	70,140	46,890
Tax Assessor/Collector Fees	8,270	9,311	5,884	7,573	7,352	7,806
Director Fees	28,268	16,470	18,247	16,793	30,781	23,091
Insurance	1,323	15,521	17,276	12,227	16,300	5,683
Accounting Fees	50,250	66,750	66,750	66,750	66,750	66,750
Financial Advisor Fees	853	732	535	867	-	872
Chemicals	76,395	120,800	-	-	-	-
Office Expenses	199,600	273,610	275,846	252,653	163,212	-
Other Consulting Fees	114,222	62,867	-	-	854	-
Other	63,618	99,663	156,891	104,766	80,163	34,627
Capital Outlay	-	1,116,609 <sup>(c)</sup>	152,700	460,677	767,364	785,437
<b>TOTAL EXPENDITURES</b>	<b>\$ 3,578,707</b>	<b>\$6,157,028</b>	<b>\$5,164,001</b>	<b>\$5,087,489</b>	<b>\$5,603,685</b>	<b>\$5,114,076</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 780,922</b>	<b>\$ (711,378)</b>	<b>\$ (143,169)</b>	<b>\$ (257,295)</b>	<b>\$ (912,987)</b>	<b>\$ (581,607)</b>
<b>Fund Balance, beginning of yr.</b>	<b>\$ 5,014,380</b>	<b>\$6,238,767</b>	<b>\$6,381,936</b>	<b>\$6,639,231</b>	<b>\$7,552,218</b>	<b>\$8,133,825</b>
<b>Plus/(Less): Interfund Transfer</b>	<b>1,286,292 <sup>(c)</sup></b>	<b>(513,009)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance, end of yr.</b>	<b>\$ 7,081,594</b>	<b>\$5,014,380</b>	<b>\$6,238,767</b>	<b>\$6,381,936</b>	<b>\$6,639,231</b>	<b>\$7,552,218</b>

(a) Unaudited. As of March 31, 2015. Represents 9 months of the District's current fiscal year.

(b) Audited.

(c) The District spent \$1,116,609 on various capital outlay projects during fiscal year 2014, including the replacement of the Force Main . During fiscal year 2015, the District reimbursed the General Operating Fund for past capital outlay projects by transferring \$1,286,292 from the Capital Projects Fund into the General Operating Fund.



**DEBT SERVICE REQUIREMENTS – TABLE 3**

**Northtown Municipal Utility District**

**\$5,635,000**

**Unlimited Tax and Revenue Refunding Bonds, Series 2015**

**Dated Date: August 1, 2015**

**First Interest Payment Due: March 1, 2016**

Year Ending 31-Dec	Current	Less	The Bonds					Total
	Debt Service Requirement	Refunded Debt Service	Principal	Interest			Principal	Debt Service Requirements
			(Due 9/01)	(Due 3/01)	(Due 9/01)	Total	and Interest	
2015	\$ 2,238,758	\$ 129,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,109,430
2016	2,266,613	258,656	30,000	110,674	104,300	214,974	244,974	2,252,930
2017	2,167,700	258,656	40,000	104,000	104,000	208,000	248,000	2,157,044
2018	2,182,450	533,656	200,000	103,600	218,600	322,200	522,200	2,170,994
2019	2,244,375	547,656	185,000	103,600	248,600	352,200	537,200	2,233,919
2020	2,273,325	560,656	340,000	103,600	103,600	207,200	547,200	2,259,869
2021	2,092,206	547,250	340,000	96,800	96,800	193,600	533,600	2,078,556
2022	2,121,144	558,438	365,000	90,000	90,000	180,000	545,000	2,107,706
2023	2,122,494	543,388	365,000	82,700	82,700	165,400	530,400	2,109,506
2024	2,170,650	552,988	390,000	75,400	75,400	150,800	540,800	2,158,463
2025	2,168,463	561,113	415,000	67,600	67,600	135,200	550,200	2,157,550
2026	1,933,438	567,613	440,000	59,300	59,300	118,600	558,600	1,924,425
2027	1,703,719	572,425	460,000	50,500	50,500	101,000	561,000	1,692,294
2028	1,714,569	576,050	480,000	41,300	41,300	82,600	562,600	1,701,119
2029	1,402,200	578,250	505,000	31,700	31,700	63,400	568,400	1,392,350
2030	1,424,950	579,250	525,000	21,600	21,600	43,200	568,200	1,413,900
2031	992,625	588,000	555,000	11,100	11,100	22,200	577,200	981,825
	<u>\$ 33,219,677</u>	<u>\$ 8,513,372</u>	<u>\$ 5,635,000</u>	<u>\$ 1,153,474</u>	<u>\$ 1,407,100</u>	<u>\$ 2,560,574</u>	<u>\$ 8,195,574</u>	<u>\$ 32,901,879</u>

**FINANCIAL STATEMENT**  
**(Unaudited as of July 1, 2015)**

**Assessed Value - Table 4**

2014 Certified Assessed Valuation	\$514,452,256	(a)
2015 Preliminary Assessed Valuation	572,471,519	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 24,685,000	(c)
Ratio of Gross Debt to 2014 Certified Assessed Valuation	4.80%	
Ratio of Gross Debt to 2015 Preliminary Assessed Valuation	4.31%	
2014 Tax Rate		
Debt Service	\$ 0.4343	
Maintenance	0.3017	
Total 2014 Tax Rate	<u>\$ 0.7360</u>	(d)
Debt Service Fund Balance (as of July 28, 2015)	\$ 2,491,296	(e)

Area of District: 1,224.34 acres  
Estimated Population as of June 1, 2015: 12,067 (f)

- (a) Assessed valuation of the District as of January 1, 2014 as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2015, as provided by TCAD, is included solely for purposes of illustration. No tax will be levied on such amount unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied a 2014 tax rate of \$0.7360. See "TAXING PROCEDURES."
- (e) Unaudited as of July 28, 2015. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.5 residents per occupied single family home and 2.5 residents per occupied multi-family unit. Of the 916 multi-family units, 848 units are occupied as of June 1, 2015.

**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 Bonds	97,670,000	- (a)	97,670,000

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

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**Outstanding Bonds - Table 6**

<b>Dated Date</b>	<b>Purpose</b>	<b>Original Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding after the Issuance of the Bonds<sup>(a)</sup></b>
<b>A. New Money Bonds</b>				
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	160,000
10/01/07	Water and Sewer	2007	6,005,000	1,480,000
04/01/09	Water and Sewer	2009	7,560,000	775,000
10/01/11	Water and Sewer	2011	4,790,000	4,355,000
	<b>Subtotal</b>		<b>\$ 34,230,000</b>	<b>\$ 6,770,000</b>
<b>B. Refunding Bonds</b>				
09/01/04	Refunding	2004	\$ 2,505,000	\$ -
11/01/10	Refunding	2010	5,895,000	5,120,000
09/01/12	Refunding	2012	3,850,000	3,820,000
08/01/14	Refunding	2014	3,340,000	3,340,000
08/01/15	Refunding	2015	5,635,000	5,635,000 <sup>(b)</sup>
	<b>Subtotal</b>		<b>\$ 21,225,000</b>	<b>\$ 17,915,000</b>
	<b>Total</b>		<b>\$ 55,455,000</b>	<b>\$ 24,685,000</b>

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

(b) The Bonds.

**Cash and Investment Balances (Unaudited as of July 28, 2015) - Table 7**

General Fund	\$ 7,046,378
Debt Service Fund	2,491,296 <sup>(a)</sup>
Park Fund	481,001
Capital Projects Fund	914,907

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

(b) The District has submitted an application to the TCEQ requesting approval to use surplus funds of approximately \$689,749 in the Capital Projects Fund to reimburse construction costs related to the construction of the utility facilities serving the Lakes at Northtown Sections 4 and 5.

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

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described

in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), 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; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

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

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value, and the fully accrued interest for the reporting period, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund

or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

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

#### **Current Investments - Table 8**

The District, as of July 28, 2015, is invested in money markets, TexPool, L.O.G.I.C., and Certificates of Deposit. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool 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 July 28, 2015		
Money Market	\$	455,426
TexPool		1,429,371
L.O.G.I.C.		8,801,521
Certificates of Deposit		247,265
<b>Total Investments</b>	<b>\$</b>	<b>10,933,583</b>

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## 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	\$ 652,173,919	7/1/2015	0.429%	\$ 2,797,646
Travis County ESD No. 2	-	7/1/2015	7.174%	-
Travis County Healthcare District	-	7/1/2015	0.426%	-
Austin Community College District	81,895,659	7/1/2015	0.367%	300,198
Pflugerville Independent School District	529,778,281	7/1/2015	6.154%	32,601,943
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 35,699,787</b>
The District <sup>(a)</sup>	\$ 24,685,000	8/1/2015	100.00%	<u>24,685,000</u>
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b><u>\$ 60,384,787</u></b>
<b>Ratio of Estimated Direct and Overlapping Debt to 2014 Certified Assessed Valuation</b>				<b>11.74%</b>
<b>Ratio of Estimated Direct and Overlapping Debt to 2015 Preliminary Assessed Valuation</b>				<b>10.55%</b>

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

## Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill <sup>(a)</sup>
	Travis County	Travis County
Travis County	\$0.456300	\$ 630
Travis County ESD No. 2	0.098200	136
Travis County Healthcare District	0.126400	175
Austin Community College District	0.094200	130
Pflugerville Independent School District	1.540000	2,126
The District	<u>0.736000</u>	<u>1,016</u>
<b>Total</b>	<b><u>\$3.051100</u></b>	<b><u>\$ 4,213</u></b>

(a) Based on the 2014 average home value of \$138,069, as provided by TCAD.

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## TAX DATA

**Classification of Assessed Valuation - Table 9**

Type Property	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Single Family	\$423,592,061	82.29%	\$365,470,465	73.37%	\$348,983,822	82.28%
Multi Family Residence	69,760,185	13.55%	63,455,418	12.74%	37,168,771	8.76%
Vacant Lot	722,253	0.14%	1,280,270	0.26%	1,460,824	0.34%
Qualified Ag Land	820,915	0.16%	820,915	0.16%	-	0.00%
Non-Qualified Land	6,040,300	1.17%	6,040,300	1.21%	7,217,448	1.70%
Commercial Real Property	14,663,618	2.85%	13,492,990	2.71%	14,201,858	3.35%
Telephone Company	427,174	0.08%	487,748	0.10%	539,384	0.13%
Cable Television Company	-	0.00%	99,401	0.02%	100,153	0.02%
Commercial Personal Property	5,740,263	1.12%	5,918,470	1.19%	7,983,642	1.88%
Industrial Personal Property	48,903,806	9.50%	83,454,265	16.75%	67,229,569	15.85%
Residential Inventory	1,398,912	0.27%	2,812,597	0.56%	2,609,985	0.62%
Totally Exempt Property	8,244,438	1.60%	8,334,972	1.67%	647,798	0.15%
Less: Adjustments	<u>(65,547,762)</u>	<u>-12.73%</u>	<u>(53,567,995)</u>	<u>-10.75%</u>	<u>(63,983,403)</u>	<u>-15.08%</u>
<b>Total</b>	<b><u>\$514,766,163</u></b>	<b><u>100.00%</u></b>	<b><u>\$498,099,816</u></b>	<b><u>100.00%</u></b>	<b><u>\$424,159,851</u></b>	<b><u>100.00%</u></b>

**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 <sup>(a)</sup>	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	0.7360	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	514,452,256	0.7360	3,786,369	3,775,678	99.72%	3,779,435	99.82%	9/30/2015	(c)

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

(b) Audited.

(c) Unaudited. Reflects tax collections through June 30, 2015. Taxes were due with no penalty by January 31, 2015.

**District Tax Rates – Table 11**

	Tax Rates per \$100 Assessed Valuation							
	2014	2013	2012	2011	2010	2009	2008	2007
<b>Debt Service</b>	\$0.4343	\$0.4451	\$0.5271	\$0.4618	\$0.4711	\$0.4468	\$0.3467	\$0.3025
<b>Maintenance</b>	0.3017	0.3049	0.2229	0.2882	0.2789	0.3032	0.4033	0.4475
<b>Total</b>	<b>\$0.7360</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>	<b>\$0.7500</b>

**Tax Rate Limitation**

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

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds 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 2014 maintenance and operations tax of \$0.3017/\$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 2014, 2013, and 2012 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Taxpayer	Type of Property	2014	2013	2012
MFREVF - Tech Ridge LP <sup>(b)</sup>	Apartments	\$ 31,440,409	\$ 30,530,000	\$ 27,500,000
Oaks at Techridge Partners LP	Land and Improvements	26,476,764	23,986,764	1,780,676
Realty Associates Fund IX LP	Land and Improvements	12,353,750	11,160,326	12,761,868
Village @ Northtown Ltd	Land and Improvements	5,081,137	5,080,908	5,170,765
Samsung Austin Semiconductor	Commercial	3,116,691	40,088,872	(a)
Oaks at Techridge Phase 2 Partners LP	Land and Improvements	2,840,324	(a)	(a)
Applied Materials Inc.	Commercial	2,701,766	2,265,789	7,020,365
AM Petroleum Inc.	Industrial	2,309,868	2,332,664	2,521,088
Advanced Energy Industries Inc.	Commercial	940,217	(a)	(a)
Gigaphoton USA Inc.	Commercial	908,040	1,104,661	1,103,258
KB Home Lone Star LP	Land and Improvements	(a)	1,311,160	2,624,322
KB Home Lone Star Inc.	Land and Improvements	(a)	787,750	(a)
NGK Electronics	Commercial	(a)	(a)	866,739
Individual Homeowner	Land and Improvements	(a)	(a)	653,500
<b>Total</b>		<b>\$ 88,168,966</b>	<b>\$118,648,894</b>	<b>\$ 62,002,581</b>
<b>Percent of Certified Assessed Valuation</b>		<b>17.21%</b>	<b>23.82%</b>	<b>14.62%</b>

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

(b) Formerly called Techridge Multi-Family.

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## Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2014 Certified Assessed Valuation and 2015 Preliminary 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 (2015-2025).....	\$2,163,270
\$0.45 Tax Rate on the 2014 Certified Assessed Valuation of \$514,452,256 @ 95% collections produces .....	\$2,199,283
\$0.40 Tax Rate on the 2015 Preliminary Assessed Valuation of \$572,471,519 @ 95% collections produces .....	\$2,175,392
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2020).....	\$2,259,869
\$0.47 Tax Rate on the 2014 Certified Assessed Valuation of \$514,452,256 @ 95% collections produces .....	\$2,297,029
\$0.42 Tax Rate on the 2015 Preliminary Assessed Valuation of \$572,471,519 @ 95% collections produces .....	\$2,284,161

## Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/15.....	\$2,109,430 <sup>(a)</sup>
Audited Debt Service Fund Balance as of 9/30/14.....	\$650,514 <sup>(b)</sup>
2014 Tax Levy @ 95% collections produces .....	<u>2,113,606</u> <sup>(c)</sup>
Total Available for Debt Service.....	<u>\$2,764,120</u>

(a) Interest payments on the Bonds commences March 1, 2016.

(b) Audited. Represents fund balance after all 2014 debt service requirements have been paid.

(c) The District levied a 2014 debt service tax rate of \$0.4343.

## 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 the 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, if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

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

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, 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; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$1,500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain household goods, wares and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development organizations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. Goods, wares and merchandise (other than oil, gas or petroleum products) that are acquired in or imported into Texas and forwarded out of Texas within 175 days thereafter are also exempt. Property owned by a disabled veteran or a veteran who died while on active duty has been granted an exemption up to \$3,000 of assessed value. Partially exempt to between \$5,000 and \$12,000 of assessed value, depending upon the disability rating of the veteran, is property owned by a disabled veteran or spouse or certain children. Disabled veterans who receive from the United States Department of Veterans Affairs, or its successors, a rating of 100% disabled are entitled to an exemption from taxation of the total appraised value of the resident's homestead. Additionally, effective January 1, 2012, 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. Also exempt, if approved by the Board of Directors of the District or through a process of petition and referendum by the District's voters, are residential homesteads of persons sixty-five (65) years or older and of certain disabled persons of not less than \$3,000 of appraised value or more. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

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

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

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

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

The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average 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 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

## **District's Rights in the Event of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State 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 2014". 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**

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. 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 Underwriters 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 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 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 C - 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 "SALE AND DISTRIBUTION OF BONDS – Securities Laws," "PLAN OF FINANCING – The Refunded Bonds," "THE BONDS" (except for the subcaptions "Yield on Capital Appreciation Bonds," "DTC Redemption Provisions," "Payment Record" and "Remedies in Event of Default"), "TAXING PROCEDURES," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") to determine that the information relating to the Bonds and the Bond Order contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. 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. Certain legal matters will be passed upon for the Underwriters by their counsel, Andrews Kurth LLP, Austin, Texas. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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 Underwriters a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Assistant 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 AND YIELDS**

Grant Thornton, L.L.P., a firm of independent certified public accountants, upon delivery of the Bonds, will deliver to the District its verification report indicating that it has performed certain procedures to verify, in accordance with standards established by the American Institute of Certified Public Accountants, the arithmetical accuracy of the information provided by the Financial Advisor relating to (a) the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal and interest on the Refunded Bonds and (b) the "Yield" on the Federal Securities and on the Bonds. Such computations will be completed using certain assumptions and information provided by the Financial Advisor on behalf of the District. Grant Thornton, L.L.P. has restricted its procedures to recalculating the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome.

The report will be relied upon by Bond Counsel in rendering its opinion with respect to the excludability from federal income taxation of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

## **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"), (i) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986, as amended (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 C -- 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, and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **State, Local and Foreign Taxes**

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

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

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a 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 aforementioned dollar 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](http://www.emma.msrb.org).

### **Annual Reports**

The District will provide certain updated financial information and operating data to the MSRB. 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 financial statements 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 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 notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (6) appointment of a successor or additional trustee or the change of name of a trustee.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; and (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District).

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

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

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

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

### **Limitations and Amendments**

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

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**

The District is in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

Assured Guaranty Municipal Corp. insures certain bonds issued by the District. On March 18, 2014, Standard & Poor's Ratings Services upgraded the rating of Assured Guaranty Corp., Assured Guaranty Municipal Corp., and Municipal Assurance Corp., from "AA-" to "AA." On June 18, 2014, the District filed a notice of such rating change with the MSRB through the EMMA system, which was more than ten (10) business days after the date of the rating change. The District has established procedures to ensure future compliance with its continuing disclosure undertaking.

### **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 Underwriters of the Bonds have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$58,345.57 from the initial public offering prices therefore set forth on the inside cover page of this Official Statement. The Underwriters 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 Underwriters.

### **OFFICIAL STATEMENT**

#### **Preparation**

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

"THE DEVELOPER" - Village @ Northtown Ltd. 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, 2014 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, 2014 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/ Robin Campbell  
President, Board of Directors

/s/ Felix T. Amaro, Jr.  
Assistant 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, 2014. 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, 2014**

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



**NORTHTOWN  
MUNICIPAL UTILITY DISTRICT**

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

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2014**

# **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 above has reviewed and approved at a meeting of the District's Board of Directors on the **27th day of January, 2015**, its annual audit report for the fiscal period ended **September 30, 2014**, and that copies of the annual audit report have been filed in the District's office, located at:

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

This filing affidavit and the attached copy of the audit report will be submitted to the Texas Commission on Environmental Quality to satisfy the annual filing requirements of Texas Water Code Section 49.194.

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

\_\_\_\_\_  
(Typed Name and Title of 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

Form TCEQ-0723 (Revised 10/2003)

# **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](mailto:mgsb@mgsbpllc.com)

111 Congress Avenue  
Suite 400  
Austin, Texas 78701  
(512) 610-2209  
[www.mgsbpllc.com](http://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, 2014, 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, 2014, 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 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*

McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants

January 27, 2015

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

# **NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014**

In accordance with Governmental Accounting Standards Board Statement 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, 2014. 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 \$5,073,242 and \$454,147 was assigned to use for a budgeted General Fund deficit during the year ending September 30, 2015. The total General Fund balance was \$5,527,389, including a decrease of \$711,378 change in fund balance. General fund revenues increased from \$5,020,832 in the previous fiscal year to \$5,445,650 in the current fiscal year due to an increase in property tax revenue.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$580,850 in the previous fiscal year to \$650,514 in the current fiscal year. Debt service fund revenues decreased from \$2,262,084 in the previous fiscal year to \$2,225,031 in the current fiscal year due to a decrease in the property tax rate allocated to the debt service fund. The District issued \$3,340,000 Unlimited Tax and Revenue Refunding bonds to retire \$3,350,000 of Series 2007 Unlimited Tax and Revenue bonds.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$1,900,905 in the previous fiscal year to \$1,901,379 in the current fiscal year. The Capital Projects Fund expended \$1,632 for bond-related services during the fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$483,064. Net position including the prior period adjustment increased from \$15,770,521 to \$16,336,576.

## **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 is a political subdivision of the State of Texas and operates under an elected 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, 2014**

## **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 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 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, 2014

## 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)
	2014	2013	
Current and other assets	\$ 9,649,042	\$ 9,959,572	\$ (310,530)
Capital and non-current assets	33,334,194	33,175,916	158,278
Total Assets	42,983,236	43,135,488	(152,252)
Current Liabilities	3,152,271	2,523,252	629,019
Long-term Liabilities	23,494,389	24,758,724	(1,264,335)
Total Liabilities	26,646,660	27,281,976	(635,316)
Net Investment in Capital Assets	10,401,184	9,078,097	1,323,087
Restricted	394,850	523,151	(128,301)
Unrestricted	5,540,542	6,252,264	(711,722)
Total Net Position	\$ 16,336,576	\$ 15,853,512	\$ 483,064
	*		

\*As Adjusted, Note 11

The District's combined net position increased by \$483,064 to \$16,336,576 from the previous year amount of \$15,853,512, which includes a prior period adjustment of \$82,991. 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 \$5,540,542.

# NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

## Revenues and Expenses:

### Summary Statement of Activities

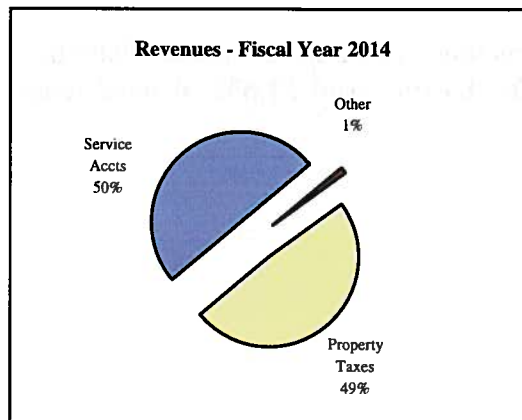
	Governmental Activities		Change Increase (Decrease)
	2014	2013	
Service accounts	\$ 3,865,382	\$ 3,919,634	\$ (54,252)
Property taxes	3,742,276	3,212,799	529,477
Other	62,561	148,440	(85,879)
<b>Total Revenues</b>	<b>7,670,219</b>	<b>7,280,873</b>	<b>389,346</b>
 Water/wastewater/garbage	 3,001,990	 2,979,253	 22,737
Other	2,054,090	2,057,728	(3,638)
Debt Service	1,171,112	1,089,753	81,359
Depreciation	959,963	954,746	5,217
<b>Total Expenses</b>	<b>7,187,155</b>	<b>7,081,480</b>	<b>105,675</b>
 <b>Change in Net Position</b>	 <b>483,064</b>	 <b>199,393</b>	 <b>283,671</b>
 <b>Beginning Net Position</b>	 <b>15,853,512</b>	 <b>15,571,128</b>	 <b>282,384</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>82,991</b>	<b>(82,991)</b>
<b>Ending Net Position</b>	<b>\$ 16,336,576</b>	<b>\$ 15,853,512</b>	<b>\$ 483,064</b>

\*

\*As Adjusted, Note 11

Revenues were \$7,670,219 for the fiscal year ended September 30, 2014 while expenses were \$7,187,155. Net position increased \$483,064.

Property tax revenue in the current fiscal year totaled \$3,742,276. 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 2013 tax year (September 30, 2014 fiscal year) were based upon a current adjusted assessed value of \$498,099,816 and a tax rate of \$0.75 per \$100 of assessed valuation. Property taxes levied for the 2012 tax year (September 30, 2013 fiscal year) were based upon an adjusted assessed value of \$424,159,851 and a tax rate of \$0.75 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, 2014

## ANALYSIS OF GOVERNMENTAL FUNDS

### Governmental Funds by Year

	2014	2013	2012	2011
Cash	\$ 426,086	\$ 585,737	\$ 638,813	\$ 536,353
Cash equivalents and investments	8,408,402	8,576,243	8,825,318	7,709,859
Receivables	1,155,668	1,120,444	2,313,716	2,160,372
Total Assets	\$ 9,990,156	\$ 10,282,424	\$ 11,777,847	\$ 10,406,584
Accounts payable	545,018	553,479	502,290	422,517
Other payables	1,335,093	975,092	2,301,051	2,014,865
Total Liabilities	1,880,111	1,528,571	2,803,341	2,437,382
Deferred Inflows of Resources	30,763	33,331	39,522	49,221
Restricted	2,551,893	2,481,755	2,553,048	1,280,750
Assigned	454,147	351,846	890,752	1,226,310
Unassigned	5,073,242	5,886,921	5,491,184	5,412,921
Total Fund Balance	8,079,282	8,720,522	8,934,984	7,919,981
Total Liabilities and Fund Balances	\$ 9,990,156	\$ 10,282,424	\$ 11,777,847	\$ 10,406,584

For the fiscal year ended September 30, 2014, the District's governmental funds reflect a combined fund balance of \$8,079,282.

This fund balance includes a \$711,378 decrease to the General Fund.

The Debt Service Fund reflects an increase of \$69,664 in fiscal year 2014. The Debt Service Fund remitted bond principal of \$1,240,000 and interest of \$901,675. 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 \$474 increase in fund balance for fiscal year 2014. The District paid \$1,632 of bond-related costs during the current fiscal year.



# NORTHTOWN MUNICIPAL UTILITY DISTRICT MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2014

## BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating expenditures. The Board of Directors adopted a budget on September 24, 2013. The budget included revenues of \$5,568,345 as compared to expenditures of \$5,920,191. When comparing actual to budget, the District had a negative variance of \$359,532. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

## CAPITAL ASSETS

The District's governmental activities invested \$33,334,194 in land and infrastructure. The detail is reflected in the following schedule:

### Summary of Capital Assets, net

	9/30/2014	9/30/2013
Capital Assets:		
Land and easements	\$ 833,376	\$ 833,376
Water, wastewater and drainage	35,846,655	35,047,632
Common and recreation areas	4,444,344	4,125,126
Less: Accumulated Depreciation	(7,790,181)	(6,830,218)
Total Net Capital Assets	<u>\$ 33,334,194</u>	<u>\$ 33,175,916</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 2006	\$ 160,000
Series 2007	1,480,000
Series 2009	6,410,000
Series 2010	5,120,000
Series 2011	4,355,000
Series 2012	3,820,000
Series 2014	3,340,000
Total	<u>\$ 24,685,000</u>

The District owes approximately \$24.7 million to bondholders. The total principal balance was reduced by \$1,240,000. The ratio of the District's long term debt to the total taxable assessed valuation (\$498,099,816) is 4.96%. The District's estimated population, as provided by the District as of June 1, 2014, is 12,219. 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, 2014**

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

The property tax assessed value for the 2014 tax year (September 30, 2015 fiscal year) is approximately \$580 million and the net taxable value is approximately \$515 million. The fiscal year 2015 tax rate is \$0.736 on each \$100 of taxable value. Approximately 41% of the property tax will fund general operating expenses, and approximately 59% of the property tax will be set aside for debt service fund expenditures.

The adopted budget for fiscal year 2015 projects a General Fund fund balance decrease of \$454,147.

## **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.

# **FINANCIAL STATEMENTS**



**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2014**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<b>ASSETS</b>						
Cash and cash equivalents:						
Cash	\$ 426,086	\$ -	\$ -	\$ 426,086	\$ -	\$ 426,086
Cash equivalents	5,017,319	699,838	2,199,957	7,917,114	-	7,917,114
Investments	491,288	-	-	491,288	-	491,288
Receivables:						
Service accounts, net of provision for uncollectible accounts	665,550	-	-	665,550	-	665,550
Taxes, no provision for uncollectible accounts	13,153	17,610	-	30,763	-	30,763
Interest	734	-	-	734	-	734
Interfund receivables	341,114	-	-	341,114	(341,114)	-
Other	73,515	-	-	73,515	-	73,515
Fiscal security deposit	43,992	-	-	43,992	-	43,992
Capital assets, net of accumulated depreciation -						
Land and easements	-	-	-	-	833,376	833,376
Common & Recreation Areas	-	-	-	-	2,721,307	2,721,307
Water/Wastewater/Drainage Facilities	-	-	-	-	29,779,511	29,779,511
<b>TOTAL ASSETS</b>	<b>\$ 7,072,751</b>	<b>\$ 717,448</b>	<b>\$ 2,199,957</b>	<b>\$ 9,990,156</b>	<b>32,993,080</b>	<b>42,983,236</b>
<b>LIABILITIES</b>						
Accounts payable	\$ 545,018	\$ -	\$ -	\$ 545,018	-	545,018
Refundable deposits	672,884	-	-	672,884	-	672,884
Fiscal security deposits	314,307	-	-	314,307	-	314,307
Interfund payables	-	42,536	298,578	341,114	(341,114)	-
Accrued interest payable	-	6,788	-	6,788	273,274	280,062
Bonds payable -						
Due within one year	-	-	-	-	1,340,000	1,340,000
Due after one year	-	-	-	-	23,494,389	23,494,389
<b>TOTAL LIABILITIES</b>	<b>1,532,209</b>	<b>49,324</b>	<b>298,578</b>	<b>1,880,111</b>	<b>24,766,549</b>	<b>26,646,660</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Property taxes	13,153	17,610	-	30,763	(30,763)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,153</b>	<b>17,610</b>	<b>-</b>	<b>30,763</b>	<b>(30,763)</b>	<b>-</b>
<b>FUND BALANCES / NET POSITION</b>						
Fund balances:						
Restricted for debt service	-	650,514	-	650,514	(650,514)	-
Restricted for capital projects	-	-	1,901,379	1,901,379	(1,901,379)	-
Assigned for 2015 budget deficit	454,147	-	-	454,147	(454,147)	-
Unassigned	5,073,242	-	-	5,073,242	(5,073,242)	-
<b>TOTAL FUND BALANCES</b>	<b>5,527,389</b>	<b>650,514</b>	<b>1,901,379</b>	<b>8,079,282</b>	<b>(8,079,282)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 7,072,751</b>	<b>\$ 717,448</b>	<b>\$ 2,199,957</b>	<b>\$ 9,990,156</b>		
<b>NET POSITION:</b>						
Net investment in capital assets					\$ 10,401,184	\$ 10,401,184
Restricted for debt service					394,850	394,850
Unrestricted					5,540,542	5,540,542
<b>TOTAL NET POSITION</b>					<b>\$ 16,336,576</b>	<b>\$ 16,336,576</b>

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

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**SEPTEMBER 30, 2014**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
<b>REVENUES:</b>						
Property taxes, including penalties and interest	\$ 1,521,641	\$ 2,223,203	\$ -	\$ 3,744,844	\$ (2,568)	\$ 3,742,276
Service revenues, including penalties	3,865,382	-	-	3,865,382	-	3,865,382
Park fees	5,400	-	-	5,400	-	5,400
System connection/inspection fees	21,600	-	-	21,600	-	21,600
Interest	6,327	1,828	2,106	10,261	-	10,261
Other	25,300	-	-	25,300	-	25,300
<b>TOTAL REVENUES</b>	<b>5,445,650</b>	<b>2,225,031</b>	<b>2,106</b>	<b>7,672,787</b>	<b>(2,568)</b>	<b>7,670,219</b>
<b>EXPENDITURES / EXPENSES:</b>						
Current:						
Water/wastewater purchases	2,438,798	-	-	2,438,798	-	2,438,798
Garbage collection fees	563,192	-	-	563,192	-	563,192
Park maintenance	503,338	-	-	503,338	-	503,338
General manager fees	301,266	-	-	301,266	-	301,266
Repairs and maintenance	221,698	-	-	221,698	-	221,698
Inspection/connection fees	2,585	-	-	2,585	-	2,585
Utilities	32,386	-	-	32,386	-	32,386
Chemicals	120,800	-	-	120,800	-	120,800
Office expenditures	273,610	-	-	273,610	-	273,610
Security services	104,712	-	-	104,712	-	104,712
Director fees, including payroll taxes	16,470	-	-	16,470	-	16,470
Legal fees	134,258	-	-	134,258	-	134,258
Engineering fees	57,562	-	-	57,562	-	57,562
Accounting fees	66,750	-	-	66,750	-	66,750
Audit fees	14,900	-	-	14,900	-	14,900
Insurance	15,521	-	-	15,521	-	15,521
Tax appraisal/collection	9,311	13,593	-	22,904	-	22,904
Financial advisor fees	732	1,068	-	1,800	-	1,800
Other consulting fees	62,867	-	-	62,867	-	62,867
Other	99,663	1,000	-	100,663	-	100,663
Debt service:						
Bond principal	-	1,240,000	-	1,240,000	(1,240,000)	-
Bond interest	-	901,675	-	901,675	112,042	1,013,717
Fiscal agent fees	-	2,800	-	2,800	-	2,800
Bond issuance costs	-	154,595	-	154,595	-	154,595
Capital outlay	1,116,609	-	1,632	1,118,241	(1,118,241)	-
Depreciation	-	-	-	-	959,963	959,963
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>6,157,028</b>	<b>2,314,731</b>	<b>1,632</b>	<b>8,473,391</b>	<b>(1,286,236)</b>	<b>7,187,155</b>
Excess / (deficiency) of revenues over / (under) expenditures / expenses	(711,378)	(89,700)	474	(800,604)	1,283,668	483,064
<b>OTHER FINANCING SOURCES / (USES)</b>						
Proceeds from bond refunding	-	3,340,000	-	3,340,000	(3,340,000)	-
Payment to refunding agent	-	(3,426,800)	-	(3,426,800)	3,426,800	-
Bond premium	-	246,164	-	246,164	(246,164)	-
<b>TOTAL OTHER FINANCING SOURCES / (USES)</b>	<b>-</b>	<b>159,364</b>	<b>-</b>	<b>159,364</b>	<b>(159,364)</b>	<b>-</b>
Change in fund balances / net position	(711,378)	69,664	474	(641,240)	1,124,304	483,064
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	6,238,767	580,850	1,900,905	8,720,522	7,049,999	15,770,521
Prior period adjustment, Note 11	-	-	-	-	82,991	82,991
End of the year	<u>\$ 5,527,389</u>	<u>\$ 650,514</u>	<u>\$ 1,901,379</u>	<u>\$ 8,079,282</u>	<u>\$ 8,257,294</u>	<u>\$ 16,336,576</u>

*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, 2014**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of 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** - Northtown Municipal Utility District (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.

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, 2014**

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**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. 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, 2014**

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**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 a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. 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, 2014**

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**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 revenue. All other revenues of the District are recorded on the accrual basis in all funds.

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

***Budgets and Budgetary Accounting*** - A budget was adopted on September 24, 2013, 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.

***Cash and Cash Equivalents*** - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, an external local governmental investment pool and obligations in the State Treasurer's Investment Pool are recorded at cost, which approximates fair market value.

***Investments*** - Investments consisting of certificates of deposits are recorded at cost which approximates fair market value.

***Capital Assets*** - Capital assets, which include land, easements and recreation areas 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 fair market value at the time received. Interest incurred during construction of capital facilities is not capitalized.

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

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

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

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

**Long-Term Debt** - Unlimited tax 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

**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.
- **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 \$454,147 of its fund balance to cover a projected 2015 budget deficit.
- **Unassigned:** all other spendable amounts in the General Fund.

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

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

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**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		\$ 8,079,282
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds -		
Land	\$ 833,376	
Capital assets	40,290,999	
Less: Accumulated depreciation	<u>(7,790,181)</u>	33,334,194
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for tax revenues earned but not available.		30,763
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds -		
Bonds payable	(24,685,000)	
Issuance discount	347,314	
Issuance premium	(496,703)	
Accrued interest	<u>(273,274)</u>	<u>(25,107,663)</u>
Net position of governmental activities		<u><u>\$ 16,336,576</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		\$ (641,240)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report -		
Capital expenditures in period purchased	\$ 1,118,241	
Interest expenditures in year paid	(112,042)	
Principal in year paid	1,240,000	
Tax revenue when collected	(2,568)	
Bond sales and related bond premium as other financing source/(use)	<u>(159,364)</u>	2,084,267
Governmental funds do not report -		
Depreciation		<u>(959,963)</u>
Change in net position of governmental activities		<u><u>\$ 483,064</u></u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**3. CASH AND 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; securities collateralizing time deposits are held by independent third party trustees.

**Cash** - At September 30, 2014, the carrying amount of the District's deposits was \$917,374 and the bank balance was \$1,004,372. The bank balance was covered by federal depository insurance and 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; and
- 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 AAA-m by a nationally recognized rating agency.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

At September 30, 2014, the District held the following investments:

Investment	Fair Market Value at 9/30/2014	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects		
		Unrestricted	Restricted (1)	Restricted (2)	Rating	Rating Agency
Texpool	\$ 2,614,062	\$ 2,614,062	\$ -	\$ -	AAAm	Standard & Poors
LOGIC	5,303,052	2,403,257	699,838	2,199,957	AAAm	Standard & Poors
Certificates of deposit	491,288	491,288	-	-	Various	Various
	<u>\$ 8,408,402</u>	<u>\$ 5,508,607</u>	<u>\$ 699,838</u>	<u>\$ 2,199,957</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 and LOGIC, external investment pools that are not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of Texpool. Federated Investors, Inc. manages the daily operations of Texpool under a contract with the Comptroller. First Southwest Asset Management, Inc. and JPMorgan Chase manage the daily operations of LOGIC. The fair value of the District's position in the pool is the same as the value of the pool shares.

*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, 2014, 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, 2014, 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, 2014**

**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 established 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 24, 2013.

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 2013 tax roll. The tax rate, based on total taxable assessed valuation of \$498,099,816 was \$0.75 on each \$100 valuation and was allocated \$0.3049 to the General Fund and \$0.4451 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, 2014, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 2,293	\$ 3,347	\$ 5,640
Prior years' levies	10,860	14,263	25,123
	<u>\$ 13,153</u>	<u>\$ 17,610</u>	<u>\$ 30,763</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 are made between funds are made, is as follows at September 30, 2014:

	Interfund Receivable	Payable
<b>General Fund -</b>		
Debt Service Fund	\$ 42,536	\$ -
Capital Projects Fund	298,578	-
<b>Debt Service Fund -</b>		
General Fund	-	42,536
<b>Capital Projects Fund -</b>		
General Fund	-	298,578
	<u>\$ 341,114</u>	<u>\$ 341,114</u>



**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 10/1/2013	Additions	Deletions	Balance 9/30/2014
Capital assets not being depreciated-				
Land and Easements	\$ 833,376	\$ -	\$ -	\$ 833,376
Construction in progress	-	-	-	-
Total capital assets not being depreciated	833,376	-	-	833,376
Capital assets being depreciated-				
Water, Wastewater and Drainage Facilities	35,047,632	799,023	-	35,846,655
Recreation areas	4,125,126	319,218	-	4,444,344
Total capital assets being depreciated	39,172,758	1,118,241	-	40,290,999
Less accumulated depreciation for-				
Water, Wastewater and Drainage Facilities	(5,360,570)	(706,574)	-	(6,067,144)
Recreation areas	(1,469,648)	(253,389)	-	(1,723,037)
Total accumulated depreciation	(6,830,218)	(959,963)	-	(7,790,181)
Total capital assets being depreciated, net of accumulated depreciation	32,342,540	158,278	-	32,500,818
Total capital assets, net	\$ 33,175,916	\$ 158,278	\$ -	\$ 33,334,194

**7. BONDED DEBT**

The following is a summary of bond transactions of the District for the year ended September 30, 2014:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2013	\$ 25,935,000
Bonds issued	3,340,000
Bonds refunded	(3,350,000)
Bonds retired	(1,240,000)
Bond discount, net of accumulated amortization	(347,314)
Bond premium, net of accumulated amortization	496,703
Bonds payable at September 30, 2014	\$ 24,834,389

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2014**

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

Bonds payable at September 30, 2014, were comprised of the following individual issues:

**Unlimited Tax and Revenue Bonds:**

\$160,000 – 2006 Unlimited Tax and Revenue Bonds payable serially through the year 2015 at an interest rate of 3.625%.

\$1,480,000 – 2007 Unlimited Tax and Revenue Bonds payable serially through the year 2030 at interest rates which range from 3.60% 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.

\$6,410,000 – 2009 Unlimited Tax and Revenue Bonds payable serially through the year 2031 at interest rates which range from 4.00% to 5.00%. 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, 2027, 2029 and 2031 are subject to mandatory sinking fund redemption.

\$4,355,000 – 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:**

\$5,120,000 – 2010 Unlimited Tax and Revenue Refunding Bonds payable serially through the year 2026 at interest rates which range from 3.50% to 4.00%. Bonds maturing in the year 2017 through 2026, inclusive, 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.

\$3,820,000 – 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.

\$3,340,000 – 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.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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

The annual requirements to amortize all bonded debt at September 30, 2014, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2015	\$ 1,340,000	\$ 898,758	\$ 2,238,758
2016	1,420,000	846,613	2,266,613
2017	1,365,000	802,700	2,167,700
2018	1,195,000	987,450	2,182,450
2019	1,525,000	719,379	2,244,379
2020-2024	7,980,000	2,799,820	10,779,820
2025-2029	7,585,000	1,337,391	8,922,391
2030-2031	2,275,000	142,575	2,417,575
	<u>\$ 24,685,000</u>	<u>\$ 8,534,686</u>	<u>\$ 33,219,686</u>

Unlimited tax bonds authorized but not issued as of September 30, 2014, were \$35,213,000.

\$650,514 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.

**Bond Refunding**

On August 26, 2014, the District issued unlimited tax and revenue refunding bonds of \$3,340,000 (par value) with interest rates of 2.0% to 3.125% to currently refund \$3,350,000 of Series 2007 unlimited tax bonds with interest rates of 3.75% to 4.0%. The bonds had maturity dates of September 1, 2018 through September 1, 2028. The first optional redemption date is September 30, 2014. The unlimited tax and revenue refunding bonds were issued at par plus a premium and, after paying issuance costs of \$154,595, the net proceeds were \$3,426,800. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent until September 30, 2014, at which time the Series 2007 bonds were called and paid. The advance refunding met the requirements of an in-substance debt defeasance and the Series 2007 bonds were removed from bonds payable. The reacquisition price exceeded the net carrying amount of the old debt by \$76,800. This amount is netted against the new debt and amortized over the life of the refunded debt which is shorter than the life of the new debt issued. The advance refunding resulted in an economic gain of \$142,709.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**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 collected \$37,800 in capital recovery fees during the year ending September 30, 2014 and remitted \$52,500.

**9. COMMITMENTS**

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 District, as of September 30, 2014, has recorded no liability pertaining to such costs.

**10. RISK MANAGEMENT**

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

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

**11. PRIOR PERIOD ADJUSTMENT**

Net Position was restated for the prior year to capitalized certain engineering fees incurred during the design and construction of a low flow lift station as follows:

Net Position - October 1, 2013	\$	15,770,521
Effect of Adjustments		82,991
New Position - October 1, 2013, As Adjusted	\$	<u>15,853,512</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2014**

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**12. 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 \$34,812 in fiscal year 2014. 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. Following is a schedule of the remaining minimum lease payments.

<u>Fiscal Year</u>	<u>Payment Amount</u>
2015	\$ 31,674
2016	32,950
2017	34,225
2018	35,501
2019	<u>27,104</u>
Total Minimum Lease Payments	<u>\$ 161,454</u>

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# **REQUIRED SUPPLEMENTARY INFORMATION**

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes, including penalties and interest	\$ 1,521,641	\$ 1,510,272	\$ 11,369
Service revenues, including penalties	3,865,382	3,980,073	(114,691)
Park fees	5,400	7,800	(2,400)
System connection/inspection fees	21,600	31,200	(9,600)
Interest	6,327	12,000	(5,673)
Other	25,300	27,000	(1,700)
<b>TOTAL REVENUES</b>	<u>5,445,650</u>	<u>5,568,345</u>	<u>(122,695)</u>
<b>EXPENDITURES:</b>			
Current:			
Water/wastewater purchases	2,438,798	2,719,063	280,265
Garbage collection fees	563,192	565,902	2,710
Park maintenance	503,338	678,100	174,762
General manager fees	301,266	294,208	(7,058)
Repairs and maintenance	221,698	194,000	(27,698)
Inspection/connection fees	2,585	3,400	815
Utilities	32,386	33,000	614
Chemicals	120,800	90,000	(30,800)
Office expenditures	273,610	324,800	51,190
Security services	104,712	91,699	(13,013)
Director fees, including payroll taxes	16,470	22,770	6,300
Legal fees	134,258	165,000	30,742
Engineering fees	57,562	120,400	62,838
Accounting fees	66,750	66,750	-
Audit fees	14,900	15,500	600
Insurance	15,521	20,000	4,479
Tax appraisal/collection	9,311	10,000	689
Financial advisor fees	732	2,000	1,268
Other consulting fees	62,867	24,000	(38,867)
Other	99,663	179,599	79,936
Capital Outlay	1,116,609	300,000	(816,609)
<b>TOTAL EXPENDITURES</b>	<u>6,157,028</u>	<u>5,920,191</u>	<u>(236,837)</u>
<b>CHANGE IN FUND BALANCE</b>	(711,378)	<u>\$ (351,846)</u>	<u>\$ (359,532)</u>
<b>FUND BALANCE :</b>			
Beginning of the year	<u>6,238,767</u>		
End of the year	<u>\$ 5,527,389</u>		



# **TEXAS SUPPLEMENTARY INFORMATION**



**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-1. SERVICES AND RATES**  
**SEPTEMBER 30, 2014**

**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 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:	\$ 28.98 <sup>(1)</sup>	-	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 \$ 82.27 <sup>(1)</sup> 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"	2,951	2,936	1.0	2,936
1"	5	5	2.5	13
1 1/2"	8	8	5.0	40
2"	14	14	8.0	112
3"	3	3	15.0	45
4"	-	-	25.0	-
6"	3	3	50.0	150
8"	2	2	80.0	160
10"	-	-	115.0	-
Total Water	2,986	2,971		3,456
Total Wastewater	2,962	2,962	1.0	2,962

<sup>(1)</sup> Includes once a week solid waste service and recycling service.

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-1. SERVICES AND RATES**  
**SEPTEMBER 30, 2014**

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

Gallons pumped into system: 271,809

Gallons billed to customers: 248,428

**Water Accountability Ratio**

(Gallons billed / Gallons Pumped)

91.4%

**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, 2014**

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Personnel Expenditures (including benefits)	\$ 197,526
Professional Fees:	
Audit	14,900
Legal	134,258
Engineering	57,562
Financial Advisor .	732
Purchased Services For Resale:	
Bulk Water and Wastewater Purchases	2,438,798
Contracted Services:	
General Manager/Bookkeeping	368,016
Appraisal District/Tax Collector	9,311
Security Services	104,712
Other Contracted Services	628,644
Utilities	32,386
Repairs and Maintenance	221,698
Chemicals	120,800
Administrative Expenditures:	
Directors' Fees	16,470
Office Supplies	-
Insurance	15,521
Other Administrative Expenditures	175,747
Capital Outlay:	
Capitalized Assets	1,116,609
Expenditures not Capitalized	-
Bad Debt	-
Parks and Recreation	503,338
Other Expenditures	-
<b>TOTAL EXPENDITURES</b>	<b>\$ 6,157,028</b>

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Number of persons employed by the District:

☒ Full-Time

☐ Part-Time  
TSI-2

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
TSI-3. TEMPORARY INVESTMENTS  
SEPTEMBER 30, 2014**

<b>Funds</b>	<b>Identification or Certificate Number</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance at End of Year</b>	<b>Accrued Interest Receivable at End of Year</b>
<b>General Fund -</b>					
Investment in LOGIC	XXX8001	Varies	N/A	\$ 2,401,922	\$ -
State Investment Pool	XXX0001	Varies	N/A	2,295,414	-
State Investment Pool	XXX0004	Varies	N/A	152,093	-
State Investment Pool	XXX0005	Varies	N/A	162,262	-
Investment in LOGIC	XXX8002	Varies	N/A	1,335	-
State Investment Pool	XXX0003	Varies	N/A	4,293	-
Certificate of Deposit	XXX5136	0.30%	10/21/2014	245,000	319
Certificate of Deposit	XXX0399	0.40%	11/2/2014	246,288	415
<b>Total</b>				<u>5,508,607</u>	<u>734</u>
<b>Debt Service Fund -</b>					
Investment in LOGIC	XXX8005	Varies	N/A	90,870	-
Investment in LOGIC	XXX8006	Varies	N/A	597,261	-
Investment in LOGIC	XXX8016	Varies	N/A	11,707	-
<b>Total</b>				<u>699,838</u>	<u>-</u>
<b>Capital Projects Fund -</b>					
Investment in LOGIC	XXX8008	Varies	N/A	428,006	-
Investment in LOGIC	XXX8010	Varies	N/A	281,728	-
Investment in LOGIC	XXX8012	Varies	N/A	34,047	-
Investment in LOGIC	XXX8015	Varies	N/A	1,456,176	-
<b>Total</b>				<u>2,199,957</u>	<u>-</u>
<b>Total - All Funds</b>				<u>\$ 8,408,402</u>	<u>\$ 734</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-4. TAXES LEVIED AND RECEIVABLE**  
**SEPTEMBER 30, 2014**

	<u>Maintenance Taxes</u>	<u>Debt Service Taxes</u>		
<b>Taxes Receivable, Beginning of Year</b>	\$ 13,497	\$ 19,834		
2013 Original Tax Levy, less abatements/adjustments	<u>1,518,706</u>	<u>2,217,042</u>		
Total to be accounted for	<u>1,532,203</u>	<u>2,236,876</u>		
Tax collections:				
Current year	1,516,413	2,213,695		
Prior years	<u>2,637</u>	<u>5,571</u>		
Total collections	<u>1,519,050</u>	<u>2,219,266</u>		
<b>Taxes Receivable, End of Year</b>	<u><u>\$ 13,153</u></u>	<u><u>\$ 17,610</u></u>		
<b>Taxes Receivable, By Years</b>				
2011 and prior	\$ 10,186	\$ 12,669		
2012	674	1,594		
2013	<u>2,293</u>	<u>3,347</u>		
<b>Taxes Receivable, End of Year</b>	<u><u>\$ 13,153</u></u>	<u><u>\$ 17,610</u></u>		
<b>Property Valuations:</b>	<u>2013</u> (a)	<u>2012</u> (a)	<u>2011</u> (a)	<u>2010</u> (a)
Land and improvements	<u>\$ 498,099,816</u>	<u>\$ 424,159,851</u>	<u>\$ 427,733,015</u>	<u>\$ 429,249,079</u>
<b>Total Property Valuations</b>	<u><u>\$ 498,099,816</u></u>	<u><u>\$ 424,159,851</u></u>	<u><u>\$ 427,733,015</u></u>	<u><u>\$ 429,249,079</u></u>
<b>Tax Rates per \$100 Valuation:</b>				
Debt Service tax rates	\$ 0.4451	\$ 0.5271	\$ 0.4618	\$ 0.4711
Maintenance tax rates	<u>0.3049</u>	<u>0.2229</u>	<u>0.2882</u>	<u>0.2789</u>
<b>Total Tax Rates per \$100 Valuation:</b>	<u><u>\$ 0.7500</u></u>	<u><u>\$ 0.7500</u></u>	<u><u>\$ 0.7500</u></u>	<u><u>\$ 0.7500</u></u>
<b>Original Tax Levy</b>	<u><u>\$ 3,735,748</u></u>	<u><u>\$ 3,181,199</u></u>	<u><u>\$ 3,207,998</u></u>	<u><u>\$ 3,219,368</u></u>
<b>Percent of Taxes Collected to Taxes Levied **</b>	<u><u>99.8%</u></u>	<u><u>99.9%</u></u>	<u><u>99.9%</u></u>	<u><u>99.9%</u></u>
<b>Maximum Maintenance Tax Rate Approved by Voters:</b>	<u>\$ 1.50 on 4/5/1986</u>			

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

(a) Valuations are provided by the appropriate Appraisal District as of October 27, 2014. 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, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE BONDS SERIES 2006			UNLIMITED TAX AND REVENUE BONDS SERIES 2007			UNLIMITED TAX AND REVENUE BONDS SERIES 2009		
	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
2015	\$ 160,000	\$ 5,800	\$ 165,800	\$ 200,000	\$ 56,938	\$ 256,938	\$ 250,000	\$ 289,656	\$ 539,656
2016	-	-	-	225,000	49,738	274,738	250,000	279,656	529,656
2017	-	-	-	225,000	41,525	266,525	275,000	269,656	544,656
2018	-	-	-	-	33,200	33,200	275,000	258,656	533,656
2019	-	-	-	-	33,200	33,200	300,000	247,656	547,656
2020	-	-	-	-	33,200	33,200	325,000	235,656	560,656
2021	-	-	-	-	33,200	33,200	325,000	222,250	547,250
2022	-	-	-	-	33,200	33,200	350,000	208,438	558,438
2023	-	-	-	-	33,200	33,200	350,000	193,388	543,388
2024	-	-	-	-	33,200	33,200	375,000	177,988	552,988
2025	-	-	-	-	33,200	33,200	400,000	161,113	561,113
2026	-	-	-	-	33,200	33,200	425,000	142,613	567,613
2027	-	-	-	-	33,200	33,200	450,000	122,425	572,425
2028	-	-	-	-	33,200	33,200	475,000	101,050	576,050
2029	-	-	-	400,000	33,200	433,200	500,000	78,250	578,250
2030	-	-	-	430,000	17,200	447,200	525,000	54,250	579,250
2031	-	-	-	-	-	-	560,000	28,000	588,000
	<u>160,000</u>	<u>5,800</u>	<u>165,800</u>	<u>\$ 1,480,000</u>	<u>\$ 563,801</u>	<u>\$ 2,043,801</u>	<u>\$ 6,410,000</u>	<u>\$ 3,070,701</u>	<u>\$ 9,480,701</u>



**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2010			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
2015	\$ 320,000	\$ 198,006	\$ 518,006	\$ 155,000	\$ 127,969	\$ 282,969	\$ 230,000	\$ 114,500	\$ 344,500
2016	340,000	185,206	525,206	165,000	124,869	289,869	410,000	109,900	519,900
2017	355,000	171,606	526,606	175,000	121,569	296,569	305,000	101,700	406,700
2018	375,000	157,406	532,406	185,000	118,069	303,069	335,000	94,075	429,075
2019	560,000	142,410	702,410	195,000	114,369	309,369	200,000	85,700	285,700
2020	585,000	120,006	705,006	205,000	110,469	315,469	220,000	79,700	299,700
2021	425,000	96,606	521,606	220,000	105,856	325,856	220,000	73,100	293,100
2022	450,000	79,606	529,606	230,000	100,906	330,906	240,000	66,500	306,500
2023	465,000	63,856	528,856	245,000	95,156	340,156	240,000	58,100	298,100
2024	485,000	47,000	532,000	260,000	88,419	348,419	265,000	49,700	314,700
2025	510,000	28,813	538,813	275,000	80,619	355,619	260,000	40,425	300,425
2026	250,000	9,688	259,688	295,000	72,369	367,369	285,000	31,325	316,325
2027	-	-	-	310,000	63,150	373,150	305,000	21,350	326,350
2028	-	-	-	330,000	52,300	382,300	305,000	10,675	315,675
2029	-	-	-	350,000	40,750	390,750	-	-	-
2030	-	-	-	370,000	28,500	398,500	-	-	-
2031	-	-	-	390,000	14,625	404,625	-	-	-
	<u>\$ 5,120,000</u>	<u>\$ 1,300,209</u>	<u>\$ 6,420,209</u>	<u>\$ 4,355,000</u>	<u>\$ 1,459,964</u>	<u>\$ 5,814,964</u>	<u>\$ 3,820,000</u>	<u>\$ 936,750</u>	<u>\$ 4,756,750</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**SEPTEMBER 30, 2014**

DUE DURING FISCAL YEARS ENDING 9/30	UNLIMITED TAX AND REVENUE REFUNDING BONDS SERIES 2014			ANNUAL REQUIREMENTS FOR ALL SERIES		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2015	\$ 25,000	\$ 105,889	\$ 130,889	\$ 1,340,000	\$ 898,758	\$ 2,238,758
2016	30,000	97,244	127,244	1,420,000	846,613	2,266,613
2017	30,000	96,644	126,644	1,365,000	802,700	2,167,700
2018	25,000	326,044	351,044	1,195,000	987,450	2,182,450
2019	270,000	96,044	366,044	1,525,000	719,379	2,244,379
2020	270,000	89,294	359,294	1,605,000	668,325	2,273,325
2021	290,000	81,194	371,194	1,480,000	612,206	2,092,206
2022	290,000	72,494	362,494	1,560,000	561,144	2,121,144
2023	315,000	63,794	378,794	1,615,000	507,494	2,122,494
2024	335,000	54,344	389,344	1,720,000	450,651	2,170,651
2025	335,000	44,294	379,294	1,780,000	388,464	2,168,464
2026	355,000	34,244	389,244	1,610,000	323,439	1,933,439
2027	375,000	23,594	398,594	1,440,000	263,719	1,703,719
2028	395,000	12,344	407,344	1,505,000	209,569	1,714,569
2029	-	-	-	1,250,000	152,200	1,402,200
2030	-	-	-	1,325,000	99,950	1,424,950
2031	-	-	-	950,000	42,625	992,625
	<u>\$ 3,340,000</u>	<u>\$ 1,197,461</u>	<u>\$ 4,537,461</u>	<u>\$ 24,685,000</u>	<u>\$ 8,534,686</u>	<u>\$ 33,219,686</u>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
TSI-6. CHANGES IN LONG-TERM BONDED DEBT  
SEPTEMBER 30, 2014**

	Series 2004	Series 2006	Series 2007	Series 2009	Series 2010	Series 2011	Series 2012	Series 2014	Total
Interest Rate	3.65%	3.625%	3.60 - 4.00%	4.00 - 5.00%	3.50 - 4.00%	2.00 - 3.75%	2.00 - 3.50%	2.00 - 3.125%	
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	3/1, 9/1	
Maturity Dates	9/1/2014	9/1/2015	9/1/2030	9/1/2031	9/1/2026	9/1/2031	9/1/2028	9/1/2028	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 200,000	\$ 310,000	\$ 5,030,000	\$ 6,635,000	\$ 5,430,000	\$ 4,500,000	\$ 3,830,000	\$ -	\$ 25,935,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	3,340,000	3,340,000
Retirements During the Current Fiscal Year:									
Principal	(200,000)	(150,000)	(200,000)	(225,000)	(310,000)	(145,000)	(10,000)	-	(1,240,000)
Refunded	-	-	(3,350,000)	-	-	-	-	-	(3,350,000)
Bonds Outstanding at End of Current Fiscal Year	\$ -	\$ 160,000	\$ 1,480,000	\$ 6,410,000	\$ 5,120,000	\$ 4,355,000	\$ 3,820,000	\$ 3,340,000	\$ 24,685,000
Interest Paid During the Current Fiscal Year	\$ 7,300	\$ 11,237	\$ 130,582	\$ 299,782	\$ 207,306	\$ 130,868	\$ 114,600	\$ -	\$ 901,675
Paying Agent's Name & Address:	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	Bank of Texas Austin, TX	
Bond Authority:	Tax Bonds	Other Bonds	Refunding Bonds						
Amount Authorized by Voters	\$ 69,443,000	\$ -	\$ -						
Amount Issued	(34,230,000)	-	15,590,000						
Remaining To Be Issued	\$ 35,213,000	\$ -	\$ -						

\* 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, 2014: \$ 699,838

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 1,954,099

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-7 COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -**  
**GENERAL FUND AND DEBT SERVICE FUND**  
**FIVE YEARS ENDED SEPTEMBER 30, 2014**

	AMOUNTS					PERCENT OF FUND			
	2014	2013	2012	2011	2010	2014	2013	2012	2011
<b>GENERAL FUND</b>									
<b>REVENUES:</b>									
Water, wastewater and garbage service, including penalties	\$ 3,865,382	\$ 3,919,634	\$ 3,384,026	\$ 3,250,171	\$ 2,983,681	71.0	78.0	70.1	69.3
Property taxes, including penalties and interest	1,521,641	959,699	1,239,755	1,186,441	1,324,242	27.9	19.1	25.7	25.3
Park fees	5,400	19,800	20,100	113,100	66,300	0.1	0.4	0.4	2.4
Interest	6,327	8,368	48,282	21,898	30,463	0.1	0.2	1.0	0.5
System connection fees	21,600	79,200	73,900	50,575	71,640	0.4	1.6	1.5	1.1
Miscellaneous	25,300	34,131	64,131	68,513	56,143	0.5	0.7	1.3	1.4
Total revenues	5,445,650	5,020,832	4,830,194	4,690,698	4,532,469	100.0	100.0	100.0	100.0
<b>EXPENDITURES:</b>									
<b>Current:</b>									
Water, wastewater and garbage	3,001,990	2,979,253	2,758,619	2,630,998	2,347,651	55.1	59.3	57.0	56.0
Park maintenance	503,338	506,984	527,065	664,390	591,207	9.2	10.1	10.9	14.1
General manager services	301,266	273,838	257,983	243,718	244,466	5.5	5.5	5.3	5.2
Legal fees	134,258	132,624	165,866	173,351	189,291	2.5	2.6	3.4	3.7
Repairs and maintenance	221,698	224,258	202,548	244,238	363,410	4.1	4.5	4.2	5.2
Restrictive covenants	-	-	-	28,085	62,250	-	-	-	0.6
Inspection fees/meter purchases	2,585	6,457	4,792	3,319	9,469	-	0.1	0.1	0.2
Engineering fees	57,562	59,586	98,597	350,490	224,738	1.1	1.2	2.0	7.4
Security services	104,712	92,571	83,896	70,140	46,890	1.9	1.8	1.7	1.5
Utilities	32,386	32,959	17,140	16,527	14,428	0.6	0.7	0.4	0.4
Auditing fees	14,900	14,600	14,500	13,995	16,000	0.3	0.3	0.3	0.3
Accounting fees	66,750	66,750	66,750	66,750	66,750	1.2	1.3	1.4	1.4
Directors' fees	16,470	18,247	16,793	30,781	23,091	0.3	0.3	0.3	0.7
Chemicals	120,800	63,751	34,177	31,658	80,010	2.2	1.3	0.7	1.8
Office expenditures	273,610	275,846	252,653	163,212	-	5.0	5.7	5.4	3.6
Tax appraisal/collection fees	9,311	5,884	7,573	7,352	7,806	0.2	0.1	0.2	0.2
Insurance	15,521	17,276	12,227	16,300	5,683	0.3	0.3	0.3	0.3
Other	100,395	157,426	105,633	81,017	35,499	1.8	3.1	2.2	1.7
Contracted services	62,867	-	-	-	-	1.2	-	-	-
Capital outlay	1,116,609	235,691	460,677	767,364	785,437	20.5	4.7	9.5	16.4
Total expenditures	6,157,028	5,164,001	5,087,489	5,603,685	5,114,076	113.0	102.9	105.3	119.5
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ (711,378)	\$ (143,169)	\$ (257,295)	\$ (912,987)	\$ (581,607)	(13.0)	(2.9)	(5.3)	(19.5)

(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, 2014**

	AMOUNTS					PERCENT OF FUND TOTAL REVENUES				
	2014	2013	2012	2011	2010	2014	2013	2012	2011	2010
<b><u>DEBT SERVICE FUND</u></b>										
REVENUES:										
Property taxes, including penalties and interest	\$ 2,223,203	\$ 2,259,291	\$ 1,989,308	\$ 2,000,157	\$ 1,946,551	93.2	99.9	79.6	88.0	99.8
Net bond activity	159,364	-	506,096	269,908	-	6.7	-	20.2	11.9	-
Interest	1,828	2,793	5,134	3,470	4,211	0.1	0.1	0.2	0.1	0.2
Total revenues	2,384,395	2,262,084	2,500,538	2,273,535	1,950,762	100.0	100.0	100.0	100.0	100.0
EXPENDITURES:										
Tax appraisal/collection fees	13,593	13,915	12,135	12,418	11,501	0.6	0.6	0.5	0.5	0.6
Principal payments	1,240,000	1,300,000	1,030,000	1,075,000	945,000	52.0	57.5	41.2	47.3	48.4
Interest payments	901,675	1,006,379	1,272,683	936,502	1,078,355	37.8	44.5	50.9	41.2	55.3
Fiscal agent fees and other	4,868	14,365	3,590	2,642	9,580	0.2	0.6	0.1	0.1	0.5
Bond refunding expenditures	154,595	1,030	178,429	254,562	-	6.5	-	7.1	11.2	-
Total expenditures	2,314,731	2,335,689	2,496,837	2,281,124	2,044,436	97.1	103.2	99.8	100.3	104.8
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 69,664	\$ (73,605)	\$ 3,701	\$ (7,589)	\$ (93,674)	2.9	(3.2)	0.2	(0.3)	(4.8)
TOTAL ACTIVE RETAIL WATER CONNECTIONS										
	2,971	2,926	2,866	2,782	2,729					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS										
	2,962	2,837	2,837	2,755	2,697					

**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2014**

**Complete District Mailing Address:** c/o Armbrust & Brown, PLLC 100 Congress Ave. 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:** 6/25/2013

**Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)** \$7,200

<b>Name and Address:</b>	<b>Term of Office (Elected or Appointed) or Date Hired</b>	<b>Fees of Office Paid *</b> <b>9/30/2014</b>	<b>Expense Reimbursements</b> <b>9/30/2014</b>	<b>Title at Year End</b>
<b>Board Members:</b>				
<b>ROBIN CAMPBELL</b>	(Elected) 11/6/2012 - 11/8/2016	\$ -	\$ 294	President
<b>BRENDA RICHTER</b>	(Elected) 5/8/2010 - 11/4/2014	\$ 6,150	\$ 935	Vice-President
<b>ALEX MARTINEZ</b>	(Appointed) 5/25/2010 - 11/04/2014	\$ 3,450	\$ -	Secretary
<b>FELIX T. AMARO, JR.</b>	(Elected) 11/6/2012 - 11/8/2016	\$ 5,700	\$ -	Treasurer
<b>KATHY HAUGHT</b>	(Appointed) 6/25/2013 - 11/04/2014	\$ -	\$ -	Assistant Secretary

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

**Consultants:**

<b>Crossroads Utility Service</b>	2010	\$ 515,890	\$ -	District Manager
<b>Armbrust &amp; Brown, PLLC</b>	1997	\$ 142,937	\$ -	Attorney
		\$ 20,000	\$ -	Bond Related Services
<b>Bott &amp; Douthitt, PLLC</b>	2009	\$ 66,750	\$ 304	District Accountant
<b>McCall Gibson Swedlund Barfoot PLLC</b>	2011	\$ 14,900	\$ -	Auditor
		\$ 750	\$ -	Bond Related Services
<b>360 Professional Services, Inc.</b>	2012	\$ 239,530	\$ -	Engineer
<b>Public Finance Group, LLC</b>	2014	\$ 52,655	\$ -	Financial Advisor
<b>McCall Parkhurst &amp; Horton, LLP</b>	1994	\$ 36,292	\$ -	Bond Counsel
<b>Travis County Tax Collector</b>	1994	\$ 3,717	\$ -	Tax Collector

## **OTHER SUPPLEMENTARY INFORMATION**





**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**OSI-1. PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2014**

Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
MFREVF - Tech Ridge LP	N/A	\$ 31,440,409	\$ 30,530,000	\$ -
Oaks at Techridge Partners LP	N/A	26,476,764	23,986,764	-
Realty Associates Fund IX LP	N/A	12,353,750	11,160,326	12,761,868
Village @ Northtown Ltd.	N/A	5,081,137	5,080,908	5,170,765
Samsung Austin Semiconductor	N/A	3,116,691	40,088,872	-
Oaks at Techridge Phase 2 Partners LP	N/A	2,840,324	-	-
Applied Materials Inc.	N/A	2,701,766	2,265,789	7,020,365
A M Petroleum Inc.	N/A	2,309,868	2,332,664	2,521,088
Advanced Energy Industries Inc.	N/A	940,217	-	-
Gigaphoton USA Inc.	N/A	908,040	1,104,661	1,103,258
KB Home Lone Star LP	N/A	-	1,311,160	2,624,322
KB Home Lone Star LP	N/A	-	787,750	-
Techridge Multi-Family	N/A	-	-	27,500,000
Oaks at Techridge Partners LP	N/A	-	-	1,780,676
N G K Electronics	N/A	-	-	866,739
Will-Rogers	N/A	-	-	653,500
<b>Total</b>		<b>\$ 88,168,966</b>	<b>\$ 118,648,894</b>	<b>\$ 62,002,581</b>
Percent of Assessed Valuation		<b>17.1%</b>	<b>23.8%</b>	<b>14.6%</b>

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
OSI-2. ASSESSED VALUE BY CLASSIFICATION  
SEPTEMBER 30, 2014**

Type of Property	Tax Roll Year					
	2014		2013		2014	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 423,592,061	82.3%	\$ 365,470,465	73.4%	\$ 348,983,822	82.3%
Multi Family Residence	69,760,185	13.6%	63,455,418	12.7%	37,168,771	8.8%
Vacant Lot	722,253	0.1%	1,280,270	0.3%	1,460,824	0.3%
Qualified Ag Land	820,915	0.2%	820,915	0.2%	-	-
Non-Qualified Land	6,040,300	1.2%	6,040,300	1.2%	7,217,448	1.7%
Commercial Real Property	14,663,618	2.8%	13,492,990	2.7%	14,201,858	3.3%
Telephone Company	427,174	0.1%	487,748	0.1%	539,384	0.1%
Cable Television Company	-	-	99,401	-	100,153	-
Commercial Personal Property	5,740,263	1.1%	5,918,470	1.2%	7,983,642	1.9%
Industrial Personal Property	48,903,806	9.5%	83,454,265	16.8%	67,229,569	15.9%
Residential Inventory	1,398,912	0.3%	2,812,597	0.6%	2,609,985	0.6%
Totally Exempt Property	8,224,438	1.6%	8,334,972	1.7%	647,798	0.2%
Less: Adjustments	<u>(65,547,762)</u>	<u>(12.7)%</u>	<u>(53,567,995)</u>	<u>(10.8)%</u>	<u>(63,983,403)</u>	<u>(15.1)%</u>
Total Taxable	<u>\$ 514,746,163</u>	<u>100.0%</u>	<u>\$ 498,099,816</u>	<u>100.0%</u>	<u>\$ 424,159,851</u>	<u>100.0%</u>

**APPENDIX B**  
**Schedule of Accreted Values**

**\$5,635,000**  
**NORTHTOWN MUNICIPAL UTILITY DISTRICT**  
**UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2015**

Accreted Value Table  
Delivery Date: 8/20/2015

Date	Premium Capital Appreciation Bond 9/1/2018 1.69%	Premium Capital Appreciation Bond 9/1/2019 1.92%
08/20/2015	\$ 3,174.60	\$ 2,803.03
09/01/2015	3,189.20	2,815.35
03/01/2016	3,437.40	3,024.90
09/01/2016	3,704.90	3,250.05
03/01/2017	3,993.25	3,491.95
09/01/2017	4,304.00	3,751.90
03/01/2018	4,638.95	4,031.15
09/01/2018	5,000.00	4,331.20
03/01/2019		4,653.60
09/01/2019		5,000.00

**APPENDIX C**  
**Form of Bond Counsel Opinion**

LAW OFFICES

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

717 NORTH HARWOOD	600 CONGRESS AVENUE	700 N. ST. MARY'S STREET
SUITE 900	SUITE 1800	SUITE 1525
<b>DALLAS, TEXAS 75201-6587</b>	<b>AUSTIN, TEXAS 78701-3248</b>	<b>SAN ANTONIO, TEXAS 78205-3503</b>
TELEPHONE: 214 754-9200	TELEPHONE: 512 478-3805	TELEPHONE: 210 225-2800
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*[An opinion in substantially the following form will be delivered by McCall,  
Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the  
Bonds, assuming no material changes in facts or law.]*

**NORTHTOWN MUNICIPAL UTILITY DISTRICT  
UNLIMITED TAX AND REVENUE REFUNDING BONDS, SERIES 2015  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,635,000**

**AS BOND COUNSEL FOR THE 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 February 24, 2015, authorizing the issuance of the Bonds and the pricing certificate of the pricing officer (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 said 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**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on the Verification Report of Grant Thornton LLP, 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.

**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.

**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. 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.

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

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





## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
31 West 52nd Street, New York, N.Y. 10019  
(212) 974-0100