

OFFICIAL STATEMENT DATED APRIL 7, 2015

NEW ISSUE-BOOK-ENTRY-ONLY

**Ratings: MAC Insured: S&P “AA” (Stable Outlook); Kroll “AA+” (Stable Outlook); Moody’s Underlying “A1”
See “MUNICIPAL BOND RATINGS” AND “BOND 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 MASTER DISTRICT HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

\$5,775,000

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(A Political Subdivision of the State of Texas Located in Travis County, Texas)**

Unlimited Contract Tax Bonds, Series 2015A

Dated: May 1, 2015

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

The bonds described above (the "Bonds") and the Outstanding Contract Bonds (as herein defined) are limited obligations of Travis County Municipal Utility District No. 4 (the "Master District") payable solely from and to the extent of payments required to be made to the Trustee (as herein defined) by all participating entities, currently Travis County Municipal Utility Districts No. 3, 4 (in its role as a participating district), 5, 6, 7, 8 and 9 (collectively, the "Participants" and individually, a "Participant") within the Service Area (as herein defined) from proceeds of an unlimited annual ad valorem contract tax levied by each Participant for debt service as set forth in the Master District Contract (as herein defined) (the "Pledged Contract Payments") pursuant to the terms of a separate "Contract for Financing and Operations of Regional Waste Collection, Treatment and Disposal Facilities, Regional Water Supply and Delivery Facilities, and Regional Drainage Including Water Quality Facilities" executed between the Master District and each Participant with substantially identical terms (collectively, the "Master District Contract") as described more fully herein under "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." The Bonds and Outstanding Contract Bonds are limited obligations of the Master District, payable solely from the Pledged Contract Payments and certain funds on deposit with the Trustee pursuant to the Trust Indenture (as herein defined), and are not obligations of the State of Texas; the City of Austin, Texas; Travis County, Texas; or any entity other than the Master District.

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

The scheduled payment of principal of 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 **MUNICIPAL ASSURANCE CORP.** See "BOND INSURANCE."

**MUNICIPAL
ASSURANCE
CORP.**

AN ASSURED GUARANTY COMPANY

MATURITY SCHEDULE
(see inside cover page)

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

The Bonds are offered by the initial purchaser of the Bonds (the "Initial Purchaser") subject to prior sale, when, as and if issued by the Master District and accepted by the Initial Purchaser, subject, among other things to the approval of the Initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about May 5, 2015 in Austin, Texas.

MATURITY SCHEDULE
(Due September 1)

Initial					Initial				
Due	Principal Amount	Interest Rate ^(a)	Reoffering Yield ^(b)	CUSIP Number ^(c)	Due	Principal Amount	Interest Rate ^(a)	Reoffering Yield ^(b)	CUSIP Number ^(c)
2015	\$ 5,000	2.000%	0.650%	894389SX4	2021	\$ 25,000	2.000%	1.900%	894389TD7
2016	5,000	2.000%	0.700%	894389SY2	2022	* 25,000	2.250%	2.050%	894389TE5
2017	5,000	2.000%	1.100%	894389SZ9	2023	* 25,000	2.500%	2.250%	894389TF2
2018	5,000	2.000%	1.400%	894389TA3	2038	* 2,400,000	3.750%	3.200%	894389TW5
2019	5,000	2.000%	1.650%	894389TB1	2039	* 2,440,000	3.500%	3.500%	894389TX3
2020	25,000	2.000%	1.750%	894389TC9					
\$200,000 3.000% ^(a) Term Bond due September 1, 2027* Yield 2.650% ^(b) CUSIP Number 894389TK1 ^(c)									
\$210,000 3.250% ^(a) Term Bond due September 1, 2033* Yield 3.000% ^(b) CUSIP Number 894389TR6 ^(c)									
\$400,000 3.500% ^(a) Term Bond due September 1, 2037* Yield 3.250% ^(b) CUSIP Number 894389TV7 ^(c)									

* Redemption Provisions: The Master District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2022 in whole or from time to time in part, on September 1, 2021, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing September 1, 2027, September 1, 2033 and September 1, 2037 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the Master District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 99.14% of par plus accrued interest to the date of delivery, resulting in a net effective interest rate to the Master District of 3.623393%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser (as herein defined). The yields may be changed at any time at the discretion of the Initial Purchaser. Accrued interest from May 1, 2015 to the date of delivery of the Bonds to the Initial Purchaser is to be added to the purchase price.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the Master District, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

Municipal Assurance Corp. ("MAC") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC 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 MAC supplied by MAC 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 Master District.

This Official Statement does not alone constitute, and is not authorized by the Master 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 Master District's General Counsel, for further information.

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the Master District has accepted the bid of FTN Financial Capital Markets (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 99.14% of par plus accrued interest to date of delivery. No assurance can be given that any trading market will be developed for the Bonds after their sale by the Master District to the Initial Purchaser. The Master District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain the market prices 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 Master 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 Master District bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold or traded in the secondary market.

Securities Laws

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

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Kroll Bond Rating Agency, Inc. are expected to assign ratings of "AA" (stable outlook) and "AA+" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy issued by Municipal Assurance Corp. ("MAC" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. 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, circumstance warrant. Any such downward revision or withdrawal of such rating may have an adverse effect of the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

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

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

Municipal Assurance Corp.

MAC 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 the shareholders or affiliates of AGL, other than MAC, is obligated to pay any debts of MAC or any claims under any insurance policy issued by MAC.

MAC is wholly owned by Municipal Assurance Holdings Inc., which, in turn, is owned 61% by Assured Guaranty Municipal Corp. and 39% by Assured Guaranty Corp.

MAC'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") and "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA"). Each rating of MAC 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 MAC in its sole discretion. In addition, the rating agencies may at any time change MAC'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 MAC. MAC only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by MAC 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 August 4, 2014, KBRA issued a press release in which it affirmed MAC's financial strength rating of "AA+" (stable outlook). MAC can give no assurance as to any further ratings action that KBRA may take.

On July 2, 2014, S&P issued a credit rating report in which it affirmed MAC's financial strength rating of "AA" (stable outlook). MAC can give no assurance as to any further ratings action that S&P may take.

For more information regarding MAC'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 MAC

As of December 31, 2014, MAC's policyholders' surplus and contingency reserve were approximately \$912 million and its unearned premium reserve was approximately \$591 million, in each case, determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

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

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

Miscellaneous Matters

MAC 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. MAC 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.

MAC makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, MAC 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 MAC supplied by MAC 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 MASTER DISTRICT

The Issuer	Travis County Municipal Utility District No. 4 (the "Master District"), is a political subdivision of the State of Texas, created, along with six other conservation and reclamation districts, by an act of the 74th Regular Session of the Texas Legislature on June 16, 1995 (the "Act"), and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The Master District, as a Participant (as herein defined), was created to provide water, wastewater and storm drainage, including water quality facilities, to the approximately 492 acres within its boundaries, all of which lie within Travis County, Texas. The Master District also serves as the regional provider of water, wastewater and storm drainage services, including water quality facilities to participating entities within the Service Area (as herein defined) currently Travis County Municipal Utility Districts No. 3, 4 (in its role as a participant district), 5, 6, 7, 8 and 9 (collectively, the "Participants" and individually a "Participant") located within the Barton Creek Development which consists of a service area of approximately 3,520 acres (the "Service Area"). See "THE MASTER DISTRICT," "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract," and "PARTICIPANTS IN CURRENT SERVICE AREA."
Location.....	The Service Area lies approximately 8 miles south - southwest of Austin's central business district and is situated approximately two miles southwest of the intersection of RM 2244 and Capital of Texas Highway. The Service Area is located entirely within the extraterritorial jurisdiction of the City of Austin. See "THE MASTER DISTRICT."
The Developer	The developer currently active within the Service Area is Stratus Properties Operating Co., L.P. ("Stratus Properties"), a Delaware limited partnership comprised of Stratus Investments L.L.C., a Delaware limited liability company as its 99% limited partner and STRS L.L.C., a Delaware limited liability company, as its 1% general partner. An additional developer currently active within Travis County Municipal Utility District No. 5 is Amarra Development LLC ("Amarra Development"), a Texas limited liability company which is managed by Roper Investment Corporation, a Texas corporation, and Doyle Wilson, an individual. See "THE DEVELOPER - Description of Developer" and "PARTICIPANTS IN CURRENT SERVICE AREA - Status of Development."
The Participants.....	The Participants comprise approximately 3,520 acres of a master planned community designed to ultimately contain single family, multi-family, senior living center, commercial, retail and office development as well as recreational amenities. Of the 3,520 acres within the Participants, approximately 3,282 acres are developable under current land development and water quality regulations. See "INVESTMENT CONSIDERATIONS– Certain Development Regulations." All of the Participants have designated the Master District to serve as the master district and regional provider of water, wastewater and storm drainage, including water quality facilities to serve the approximately 3,282 developable acres within the Participants. The Master District also provides certain retail services to the Participants including retail billing and collecting services for each of the Participants. Each Participant was created to construct or acquire internal underground utilities to serve the developable acres within each Participant's boundaries. See "THE MASTER DISTRICT" and "INVESTMENT CONSIDERATIONS."

As of March 1, 2015, approximately 2,463 acres within the Participants has been or is currently being provided water, wastewater and storm drainage, including water quality services, which include: approximately 826 acres in Travis County Municipal Utility District No. 3, approximately 492 acres in Travis County Municipal Utility District No. 4, approximately 660 acres in Travis County Municipal Utility District No. 5, 264 acres in Travis County Municipal Utility District No. 6, and approximately 221 acres in Travis County Municipal Utility District No. 8. As of March 1, 2015, residential development within the Participants included 419 completed single family homes, 52 single family homes under construction, 154 single family lots that are vacant or under construction, 200 completed detached condominium patio homes, 2 detached condominium patio homes under construction, 32 detached condominium patio home lots that are vacant or under construction, one 250 unit apartment complex including a clubhouse, fitness center and pool area; one 236 unit apartment complex currently under

construction; additional development includes a senior living center, and commercial, retail and office development. Recreational amenities include the Barton Creek Resort and Spa located in Travis County Municipal Utility District No. 4, which consists of a country club, a conference center, a 303-room hotel, two 18-hole golf courses and related facilities. Additionally, a third 18-hole golf course is located within the boundaries of Travis County Municipal Utility District No. 5. Stratus Properties completed construction of the utility facilities to serve Amarra Drive, Phase 3B, which includes 64 single family lots and a 21 acre commercial site in March 2015. Stratus Properties began construction of utility facilities to serve Block G within Travis County Municipal Utility District No. 5 in February 2015, to be developed as 20 detached condominium patio home lots on approximately 19.8 acres. Construction of such utility facilities is expected to be completed by August 2015. Stratus Properties will complete the extension of Tecoma Circle north of Southwest Parkway in April 2015. This project will provide road and utility service to the first phase of Baron Creek Section N ("Section N"), located within Travis County Municipal Utility District No. 8. In addition to Tecoma Circle, Stratus Properties has also begun construction of a 236 unit multi-family project in Section N on approximately 35 acres. It is anticipated that the first two apartment buildings and club house will be completed by October 2015. Within the Participants there are several tracts at various stages of development and approximately 819 undeveloped but developable acres remaining under current land development and water quality regulations. See "INVESTMENT CONSIDERATIONS – Certain Development Regulations." See also "THE BARTON CREEK DEVELOPMENT" and "PARTICIPANTS IN CURRENT SERVICE AREA."

Homebuilders	Homebuilders in the Service Area include various custom homebuilders who are building homes ranging in price from \$600,000 to over \$14,000,000. See "THE DEVELOPER."
Master District Facilities	The Master District, in its capacity as a regional provider of the water, wastewater and storm drainage services, including water quality facilities, has contracted with each of the Participants to construct and provide such services from the Master District Facilities as necessary to serve the Service Area (all hereinafter collectively referred to as the "Master District Facilities") See "INVESTMENT CONSIDERATIONS - Overlapping and Combined Tax Rates," "MASTER DISTRICT FACILITIES" and "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract."

The Master District Facilities have been constructed with funds provided by Stratus Properties, and such funds have been reimbursed to Stratus Properties with proceeds from the Outstanding Contract Bonds and will be further reimbursed with proceeds from future unlimited contract tax bonds sold by the Master District. The Master District will own and operate the Master District Facilities. Each Participant will own the internal utilities within its boundaries. However, each Participant has contracted with the Master District for the Master District to operate each Participant's internal utilities and provide retail billing and collecting. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract."

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THE BONDS

Description	<p>The Bonds in the aggregate principal amount of \$5,775,000 mature serially in varying amounts on September 1 of each year from 2015 through 2023, 2038 and 2039, and as Term Bonds which mature September 1, 2027, September 1, 2033 and September 1, 2037, as set forth on the inside cover page hereof. Interest accrues from May 1, 2015 at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2015 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."</p>
Redemption	<p>Bonds maturing on and after September 1, 2022 are subject to redemption in whole or from time to time in part at the option of the Master District on September 1, 2021, 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 Bonds maturing September 1, 2027, September 1, 2033 and September 1, 2037 are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."</p>
Source of Payment	<p>Principal and interest on the Bonds are payable from and secured by unconditional obligations to make certain debt service requirement payments that are to be made severally by the Participants pursuant to a Master District Contract executed between the Master District and each Participant (collectively the "Pledged Contract Payments"). By execution of the Master District Contract, each Participant has agreed to pay a pro rata share of debt service on the Bonds and Outstanding Contract Bonds as herein defined, based upon the certified assessed valuation of such Participant as a percentage of the total assessed valuation within the Service Area. Participants are obligated to make such Pledged Contract Payments from the proceeds of an annual unlimited ad valorem contract tax levied by such Participant on land within its boundaries for debt service requirements (the "Contract Tax"). No Participant is liable for the payments due by any other Participant. The Bonds are also secured by (i) a Debt Service Fund and a Reserve Fund held by the Trustee pursuant to the terms of the Trust Indenture, as described below, and (ii) a pledge of the water, wastewater and drainage revenues derived by each Participant in connection with its internal water, wastewater and drainage facilities. The Bonds are limited obligations of the Master District, payable solely from certain Pledged Contract Payments by each Participant and certain funds held by the Trustee under the Trust Indenture, and are not obligations of the City of Austin, Texas; the State of Texas; Travis County, Texas; or any other political subdivision or agency. See "THE BONDS - Source of and Security for Payment" and "SUMMARY OF CERTAIN DOCUMENTS – The Master District Contract."</p> <p>The Bonds are further secured by a Trust Indenture (the "Trust Indenture") from the Master District to BOKF, N.A., dba Bank of Texas (as "Trustee"). Pursuant to the Trust Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments. The Trustee shall establish, as described in the Bond Resolution, a debt service fund to collect and deposit the Contract Payments in sufficient amounts for payment of the principal of and interest on the Bonds and Outstanding Contract Bonds (as defined below) as such become due (the "Debt Service Fund"), and a reserve fund, which was initially funded from proceeds of the Master District's first bond issue, to be used to pay principal of and interest on the Bonds and Outstanding Contract Bonds if sufficient funds are not available for such purpose in the Debt Service Fund, or to pay the principal of and interest on the Bonds and Outstanding Contract Bonds in connection with the refunding, redemption or final payment of the Bonds and any additional bonds issued in the future (the "Reserve Fund"). See "SUMMARY OF CERTAIN DOCUMENTS - The Trust Indenture."</p>
Payment Record	<p>The Bonds are the twentieth series of unlimited contract tax bonds overall issued by the Master District. The Master District has not defaulted on debt service payments on the Outstanding Contract Bonds. Approximately two years of capitalized interest was included in each series of the unlimited contract tax bonds, except the refunding bonds. See "APPENDIX A - Certain Financial Information Regarding the Participants."</p>
Authority for Issuance	<p>The Bonds are the thirteenth series of new money unlimited contract tax bonds pursuant to the Master District Contract (as hereinafter defined) for the purpose of constructing the Master District Facilities necessary to provide regional water, wastewater and storm drainage, including water quality, services to the entire Service Area. The Master District has also issued seven series of unlimited contract tax refunding bonds. The Master District has the following unlimited contract tax bonds outstanding: \$180,000 Unlimited Contract Tax Bonds, Series 2007; \$275,000 Unlimited Contract Tax Bonds, Series</p>

2008; \$15,000 Unlimited Contract Tax Bonds, Series 2009; \$10,000 Unlimited Contract Tax Bonds, Series 2009A; \$9,655,000 Unlimited Contract Tax Refunding Bonds, Series 2010; \$5,435,000 Unlimited Contract Tax Bonds, Series 2010A; \$5,695,000 Unlimited Contract Tax Refunding Bonds, Series 2011; \$9,080,000 Unlimited Contract Tax Refunding Bonds, Series 2012; \$9,755,000 Unlimited Contract Tax Refunding Bonds, Series 2013; \$6,130,000 Unlimited Contract Tax Refunding Bonds, Series 2014; and \$2,900,000 Unlimited Contract Tax Refunding Bonds, Series 2015 (collectively, the "Outstanding Contract Bonds"). The Bonds are issued pursuant to the Master District Contract, an election held on November 7, 1995 within each of the Participants approving the Master District Contract and the levy of taxes in support thereof, a resolution authorizing the issuance of the Bonds, adopted by the Board of Directors of the Master District (the "Bond Resolution"), the Trust Indenture, Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended. See "INVESTMENT CONSIDERATIONS - Future Debt" and "THE BONDS - Authority for Issuance" and – "Issuance of Additional Bonds."

Use of Proceeds.....	The proceeds of the Bonds will be used to finance the Master District's share of the costs for the following projects: (i) south water treatment plant; (ii) raw water, potable water, and force main extensions; and (iii) water and wastewater facilities to serve Barton Creek Section N Phase 1, Sections 1 and 2. In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twenty-four months' interest requirements on the Bonds; (ii) pay certain engineering costs; (iii) pay developer interest, and (iv) pay certain costs associated with the issuance of the Bonds. SEE "USE AND DISTRIBUTION OF BOND PROCEEDS."
Issuance of Additional Debt.....	Pursuant to the Master District Contract, the Master District is authorized, with the consent of the Texas Commission on Environmental Quality (the "TCEQ" or "Commission"), to issue additional unlimited contract tax bonds to acquire, construct, improve or expand Master District Facilities necessary to serve the Service Area. Any additional unlimited contract tax bonds would be on parity with the Bonds and Outstanding Contract Bonds. The Master District Contract and the Bond Resolution impose no limitation on the amount of additional parity bonds which may be issued by the Master District. See "THE BONDS – Issuance of Additional Bonds" and "INVESTMENT CONSIDERATIONS - Future Debt."
Municipal Bond Ratings and Insurance.....	Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business, and Kroll Bond Rating Agency, Inc. are expected to assign ratings of "AA" (stable outlook) and "AA+" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy issued by Municipal Assurance Corp. ("MAC" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. has assigned an underlying rating of "A1" to the Bonds.
Qualified Tax-Exempt Obligations.....	The Master District has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions").
Bond Counsel and Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
General Counsel	Armbrust & Brown, PLLC, Austin, Texas.
Financial Advisor	Public Finance Group LLC, Austin, Texas.
Trustee	BOKF, N.A., dba Bank of Texas, Austin, Texas.
Paying Agent/Registrar	BOKF, N.A., dba Bank of Texas, Austin, Texas.
Engineer.....	Murfee Engineering Co., 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.

THE MASTER DISTRICT CONTRACT

Participants	<p>The Master District has entered into a separate contract with each of the Participants, which currently consist of seven municipal utility districts each organized and operating pursuant to Article 16, Section 59 of the Constitution of Texas and Chapters 49 and 54, Texas Water Code, which contract authorizes the Master District to issue contract revenue bonds sufficient to complete acquisition and construction of Master District Facilities as needed to serve all Participants in the Service Area (collectively, the "Master District Contract").</p>
Debt Service Payments	<p>By execution of the Master District Contract, the Participants have agreed to levy, assess, and collect an ad valorem Contract Tax on taxable property within the boundaries of each respective Participant, without limit as to rate or amount sufficient to make timely payments of all charges including debt service on Master District bonds, including the Bonds. The Participants agree to pay their pro rata share of debt service requirements to the Master District, which has directly assigned such portion of the Pledged Contract Payments to the Trustee under the Trust Indenture. The pro rata share of each Participant will be determined by the ratio of the total certified assessed value within a Participant, divided by the cumulative total of the certified assessed value of all the Participants. The pro rata share of debt service is calculated on certified assessed value only, and the pro rata share is not to be calculated on a basis of water demand/equivalent connections. The Pledged Contract Payment assigned to the Trustee shall include principal and interest on the Bonds and Outstanding Contract Bonds, all charges and expenses of paying agents, registrars and trustees, and all amounts required to establish and maintain funds established under the Bond Resolution or Trust Indenture. See "THE BONDS -Source of and Security for Payment and – Pledged Contract Payments by the Participants" and "SUMMARY OF CERTAIN DOCUMENTS - Master District Contract."</p> <p>The Participants are obligated severally, but not jointly, to make Pledged Contract Payments to the Master District in an amount sufficient to pay their pro rata share of debt service requirements on the Bonds and Outstanding Contract Bonds. No Participant is obligated, contingently or otherwise, to make any Pledged Contract Payments owed by any other Participant. See "PARTICIPANTS IN CURRENT SERVICE AREA."</p>
Water, Wastewater and Drainage Revenue	<p>Each Participant is obligated to pay monthly charges to the Master District for water, wastewater and storm drainage, including water quality, services rendered to such Participant pursuant to the Master District Contract ("Monthly Charges"). The Monthly Charges paid by each Participant to the Master District will be used to pay each Participant's share of the operations and maintenance expenses of the Master District Facilities and to provide or replenish an operation and maintenance reserve equivalent to three months of operations and maintenance expenses. The Master District Contract obligates the Master District to establish, maintain and from time to time adjust the rates, fees and charges for each Participant's wastewater collection system, water distribution system and drainage system, or the availability of such services, to the end that the gross revenues therefrom together with any taxes levied in support thereof and funds received from any other lawful source would be sufficient at all times to pay all of each Participant's obligations to the Master District under the Master District Contract, including each Participant's obligation to pay its pro rata share of the debt service requirements on the Bonds and Outstanding Contract Bonds. See "INVESTMENT CONSIDERATIONS - Water, Wastewater and Water Quality" and "SUMMARY OF CERTAIN DOCUMENTS - Master District Contract."</p>

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SELECTED FINANCIAL INFORMATION

(Unaudited as of March 1, 2015)

Assessed Valuations of the Participants ^(a):

Participants Travis County MUD No.	Estimated Assessed Valuation as of January 1, 2015	% of Total	2014 Certified Assessed Valuation	% of Total	2013 Certified Assessed Valuation	% of Total
3	\$ 592,830,086	56.61%	\$ 570,028,929	57.60%	\$ 537,525,303	59.17%
4	73,905,166	7.06%	72,567,178	7.33%	65,432,269	7.20%
5	136,007,936	12.99%	110,173,272	11.13%	83,544,109	9.20%
6	163,322,889	15.60%	161,905,121	16.36%	152,776,344	16.82%
7	3,300,944	0.32%	1,696,567	0.17%	1,694,479	0.19%
8	74,377,106	7.10%	69,738,163	7.05%	63,985,248	7.04%
9	3,512,444	0.34%	3,512,444	0.35%	3,418,902	0.38%
	<u>\$ 1,047,256,571</u>	<u>100.00%</u>	<u>\$ 989,621,674</u>	<u>100.00%</u>	<u>\$ 908,376,654</u>	<u>100.00%</u>

(a) As provided by Travis Central Appraisal District ("TCAD").

Status of Development as of March 1, 2015

Participants Travis County MUD No.	Acreage	Total Developed Lots		Completed Units		Units Under Construction		Vacant Lots/Units	
		Single Family	Condo/ Multi- Family	Single Family	Condo/ Multi- Family	Single Family	Condo/ Multi- Family	Single Family	Condo/ Multi- Family
3	854.02	360	408 ^(a)	303 ^(b)	406 ^(c)	25	2	28	-
4	491.54	- ^(d)	36	-	28	-	-	-	8
5	686.80	183 ^(e)	40	42	16	26	-	115	24
6	271.63	65	-	51 ^(f)	-	-	-	5	-
7	217.34	-	-	-	-	-	-	-	-
8	708.30	34	236	23 ^(g)	-	1	236	6	-
9	290.75	-	-	-	-	-	-	-	-
	<u>3,520.38</u>	<u>642</u>	<u>720</u>	<u>419</u>	<u>450</u>	<u>52</u>	<u>238</u>	<u>154</u>	<u>32</u>

- (a) Includes 158 single-family detached condominium lots and 250 apartment units. In addition, the Querencia senior living facility is located within Travis County Municipal Utility District No. 3.
- (b) Includes one home built on three lots, four homes built on two lots each. One home on two lots is currently under construction.
- (c) Includes 156 single-family detached condominium units and 250 apartment units.
- (d) Development within Travis County Municipal Utility District No. 4 includes the Barton Creek Resort and Spa which consists of a country club, a conference center, a 303-room hotel, two 18-hole golf courses and related facilities.
- (e) Development within Travis County Municipal Utility District No. 5 includes the Fazio Canyons golf course, Calera Court, Calera Drive and Amarra Drive. Stratus Properties completed construction of the utility facilities to serve Amarra Drive, Phase 3B, which includes 64 single family lots and a 21 acre commercial site, in March 2015. Additionally, Stratus Properties began construction of utility facilities to serve Block G within Travis County Municipal Utility District No. 5 in February 2015, to be developed as 20 detached patio homes on 19.8 acres, expected to be completed by August 2015.
- (f) Includes four homes built on two lots each, one home built on three lots and one house built on four lots.
- (g) Includes two homes built on 2 lots each and two home owners own three lots each. Additionally, Stratus Properties has begun construction of a 236 unit multi-family apartment complex on approximately 35 acres located in Section N within Travis County Municipal Utility District No. 8. The first two apartment buildings and club house are expected to be completed by October 2015.

Gross Contract Debt Outstanding (after issuance of the Bonds)	\$54,905,000 ^(a)
Ratio of Gross Contract Debt to 2014 Certified Assessed Valuation	5.55%
Ratio of Gross Contract Debt to Estimated Assessed Valuation as of January 1, 2015	5.24%

Master District Funds Available as of March 3, 2015 ^(b):

Debt Service Fund	\$2,779,783 ^(c)
Debt Service Reserve Fund	1,656,107 ^(d)
Special Revenue Fund	2,094,689
Capital Projects Fund	220,712
Average percentage of current tax collections – Tax years 1996 through 2013	98.90%
Average percentage of total tax collections - Tax years 1996 through 2013	99.23%
Average Annual Debt Service Requirement on the Outstanding Contract Tax Bonds and the Bonds (2015 through 2039) ("Average Requirement")	\$3,419,952
Tax rate required to pay Average Requirement based upon the aggregate 2014 Certified Assessed Valuation at 95% collections	\$0.37/\$100 A.V.
Tax rate required to pay Average Requirement based upon the aggregate Estimated Assessed Valuation as of January 1, 2015 at 95% collections	\$0.35/\$100 A.V.
Maximum Annual Debt Service Requirement on the Outstanding Contract Tax Bonds and the Bonds (2029) ("Maximum Requirement")	\$4,174,906
Tax rate required to pay Maximum Requirement based upon the aggregate 2014 Certified Assessed Valuation at 95% collections	\$0.45/\$100 A.V.
Tax rate required to pay Maximum Requirement based upon the aggregate Estimated Assessed Valuation as of January 1, 2015 at 95% collections	\$0.42/\$100 A.V.
Number of connections as of January 1, 2015:	
Single Family and Detached Condos:	
Occupied	614
Unoccupied	5
Residential Builders	62
Apartments (250 Total Units/243 occupied)	2
Commercial	41
Schools	2
Irrigation	64
Other	18
Total	808
Estimated Population as of January 1, 2015	2,757 ^(e)

(a) See "Appendix A – Certain Financial Information Regarding the Participants" for other outstanding debt of the Participants.

(b) Unaudited.

(c) Neither the Bond Resolution nor Texas law requires that the Master District maintain any particular sum in the Debt Service Fund; however, pursuant to the Bond Resolution and the Trust Indenture, a Reserve Fund equivalent to six months' debt service requirement on the Bonds and Outstanding Contract Bonds has been established as security for the Bonds and Outstanding Contract Bonds. Pursuant to the Bond Resolution and the Trust Indenture, a determination is made with respect to amount, if any, of additional deposits to the Reserve Fund upon the issuance of additional contract tax bonds. No assurances can be made that additional monies will be deposited upon the issuance of additional contract tax bonds.

(d) A Reserve Fund currently established in a fixed amount generally equivalent to six months debt service requirements on the Bonds and Outstanding Contract Bonds has been established as security for the owners of such bonds. Pursuant to the Trust Indenture, the Master District may adjust the amount required to be on deposit in the Reserve Fund each time it issues additional contract bonds. At the discretion of the Master District, the issuance of such additional contract bonds may result in the amount required to be on deposit in the Reserve Fund being less than six months debt service requirements on the Outstanding Contract Bonds. No assurance can be made that additional monies will be deposited to the Reserve Fund or that the amount required to be on deposit in the Reserve Fund will be maintained at any particular amount upon the issuance of additional contract bonds.

(e) Based upon 3.5 residents per completed single family home and detached condo and 2.5 residents per occupied apartment unit. As of January 1, 2015 the apartments were 97% occupied.

OFFICIAL STATEMENT

relating to

\$5,775,000

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4 (A Political Subdivision of the State of Texas Located in Travis County, Texas)

Unlimited Contract Tax Bonds, Series 2015A

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Travis County Municipal Utility District No. 4 (the “Master District”) of its \$5,775,000 Unlimited Contract Tax Bonds, Series 2015A (the “Bonds”).

The Bonds are issued pursuant to the authority of seven separate contracts entitled “Contract for Financing and Operations of Regional Waste Collection, Treatment and Disposal Facilities, Regional Water Supply and Delivery Facilities and Regional Drainage Including Water Quality Facilities” executed between the Master District and each Participant (as defined below) as approved by elections held within each Participant on November 7, 1995 (collectively, the “Master District Contract”), the Texas Constitution, Chapter 1207, Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the Master District (the “Board”), a trust indenture (the “Trust Indenture”) and an order of the Texas Commission on Environmental Quality (the “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds, the Bond Resolution, the Trust Indenture, the Master District Contract, and certain other information about the Master District and Travis County Municipal Utility Districts No. 3, 4 (in its role as a participating district), 5, 6, 7, 8, and 9 (collectively, the “Participants” and individually a “Participant”). All descriptions of documents contained herein are summaries and are qualified in their entirety by reference to each document. Copies of documents referenced herein may be obtained from the Master District, c/o Armbrust & Brown, PLLC, 100 Congress, Suite 1300, Austin, Texas 78701.

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

THE BONDS

General Description

The Bonds will bear interest from May 1, 2015 and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2015 and each March 1 and September 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, N.A., dba Bank of Texas, Austin, Texas (the “Paying Agent”).

Redemption

Optional Redemption . . . The Master District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2022, in whole or from time to time in part, on September 1, 2021, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2027, September 1, 2033 and September 1, 2037 are subject to mandatory sinking fund redemption prior to maturity by lot in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

\$200,000 Term Bond Maturing September 1, 2027	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2024	\$ 50,000
2025	50,000
2026	50,000
2027*	50,000

\$210,000 Term Bond Maturing September 1, 2033	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2028	\$ 5,000
2029	5,000
2030	50,000
2031	50,000
2032	50,000
2033*	50,000

\$400,000 Term Bond Maturing September 1, 2037	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2034	\$ 100,000
2035	100,000
2036	100,000
2037*	100,000

* Stated Maturity

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

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

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

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed 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 Master 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 Master District will not redeem such Bonds, and the Paying Agent will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

DTC Redemption Provisions

The Paying Agent/Registrar and the Master 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 Master 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 Master District or the Paying Agent/Registrar. Neither the Master District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Termination of Book-Entry-Only System

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

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

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

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

Replacement Bonds

If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner’s ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the Master 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

The Bonds represent the twentieth series of contract tax bonds overall issued by the Master District. The Master District has the following unlimited contract tax bonds outstanding: \$180,000 Unlimited Contract Tax Bonds, Series 2007; \$275,000 Unlimited Contract Tax Bonds, Series 2008; \$15,000 Unlimited Contract Tax Bonds, Series 2009; \$10,000 Unlimited Contract Tax Bonds, Series 2009A; \$9,655,000 Unlimited Contract Tax Refunding Bonds, Series 2010; \$5,435,000 Unlimited Contract Tax Bonds, Series 2010A; \$5,695,000 Unlimited Contract Tax Refunding Bonds, Series 2011; \$9,080,000 Unlimited Contract Tax Refunding Bonds, Series 2012; \$9,755,000 Unlimited Contract Tax Refunding Bonds, Series 2013; \$6,130,000 Unlimited Contract Tax Refunding Bonds, Series 2014; and \$2,900,000 Unlimited Contract Tax Refunding Bonds, Series 2015 (collectively, the “Outstanding Contract Bonds”).

At separate elections held within the boundaries of each Participant on November 7, 1005, the voters of each Participant approved the Master District Contract, thereby authorizing the issuance of the Outstanding Contract Bonds, the Bonds and future unlimited contract tax bonds. See “Issuance of Additional Bonds” below.

By order dated January 21, 2015, the TCEQ authorized the Master District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Bonds are issued by the Master District pursuant to the terms and provisions of the Master District Contract, an election held on November 7, 1995 with each of the Participants approving the Master District Contract and the levy of taxes in support thereof, an order of the TCEQ, the Bond Resolution, the Trust Indenture, Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and general laws of the State of Texas relating to issuance of bonds by political subdivisions of the State of Texas.

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

Source of and Security for Payment

The Bonds constitute valid and legally binding special obligations of the Master District, 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 principles of equity which permit the exercise of judicial discretion. The Bonds are payable solely from and to the extent that certain payments required by the Master District Contract are made by the Participants to the Trustee for the purpose of paying the debt service on the Bonds and Outstanding Contract Bonds. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District bonds, including the Bonds and Outstanding Contract Bonds, and any future unlimited contract tax bonds based upon the Participants' certified assessed valuation as a percentage of the total assessed valuation in the Participants (the "Service Area") except that pursuant to its Master District Contract, Travis County Municipal Utility District No. 5 and Travis County Municipal Utility District No. 6 may choose not to utilize the Master District's wastewater treatment services and in such instance will not be responsible for any debt service on bonds issued for wastewater facilities. The debt service requirements shall be calculated to include the charge and expenses of paying agents, registrars and trustees utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the Bond Resolution or Trust Indenture. Each Participant is obligated to pay its pro rata share of the annual debt service on the Bonds and Outstanding Contract Bonds from the proceeds of an annual ad valorem contract tax which is not limited as to rate or amount, revenues derived from the operation of each Participant's internal water, wastewater and drainage system or from any other legally available funds of each Participant. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a contract tax for the purpose of paying debt service on the Bonds and Outstanding Contract Bonds is the sole responsibility of each Participant. See "SUMMARY OF CERTAIN DOCUMENTS."

The Bonds and Outstanding Contract Bonds are secured by a Trust Indenture from the Master District to BOKF, N.A., dba Bank of Texas. Pursuant to the Trust Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments (as herein defined) required by the Master District Contract. See "SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture."

Payment Record

The Master District has previously issued twelve series of unlimited contract tax bonds and seven series of unlimited contract tax refunding bonds. See "COMPOSITE FINANCIAL STATEMENT – Outstanding Contract Tax Bonds." The Master District has never defaulted in payment of principal or interest on the Outstanding Contract Bonds. Capitalized interest in an amount equal of up to two years' debt service requirements was included in each series of unlimited contract tax bonds, except the refunding bonds.

Pledged Contract Payments by the Participants

Principal of and interest on the Bonds and Outstanding Contract Bonds are payable from and secured by an unconditional obligation to make certain payments that are to be made severally by the Participants pursuant to the Master District Contract for the purpose of paying their pro rata shares of debt service requirements which includes principal of and interest on the Bonds and any additional bonds, amounts to be deposited in the Reserve Fund and fees and charges due the Trustee and the Paying Agent (the "Pledged Contract Payments"). By execution of the Master District Contract, the Participants have each agreed to pay such pro rata share of debt service on the Bonds, Outstanding Contract Bonds and any additional bonds based upon the certified assessed valuation of each Participant as a percentage of the total assessed valuation of the Service Area. Participants are obligated to make such debt service payments from the proceeds of an annual unlimited ad valorem contract tax levied by such Participant on land within its boundaries for such purpose (the "Contract Tax"). No Participant is liable for the payments due by any other Participant. The Bonds and Outstanding Contract Bonds are limited obligations of the Master District, payable solely from the Pledged Contract Payments and certain funds held by the Trustee under the Trust Indenture, and are not obligations of the State of Texas; Travis County, Texas; the City of Austin, Texas; or any entity other than the Master District. See "SUMMARY OF CERTAIN DOCUMENTS – Master District Contract." The Master District shall calculate on or before September 1 of each year, or as soon thereafter as practical, the amount of Pledged Contract Payments due from each Participant in the following calendar year. The Contract Payments shall be billed to each Participant by the Master District on or before September 1 of the year prior to the year in which such Pledged Contract Payments become due, or as soon thereafter as practical. Such Pledged Contract Payments shall be due and payable from each Participant directly to the Trustee semiannually on or before February 15 and August 15 of each year.

Unconditional Obligation to Pay

All charges imposed by the Master District to pay debt service on the Bonds and Outstanding Contract Bonds will be made by the Participants without set-off, counterclaim, abatement, suspension, or diminution, nor will any Participant have any right to terminate the Master District Contract nor be entitled to the abatement of any such payment or any reduction thereof nor will the obligations of the Participants be otherwise affected for any reason, including without limitation acts or conditions of the Master District that might be considered failure of consideration, eviction or constructive eviction, destruction or damage to the Master District Facilities, failure of the Master District to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or connected with the Master District Contract. All sums required to be paid by the Participants to the Master District for such purposes will continue to be payable in all events and the obligations of the Participants will continue unaffected, unless the requirement to pay is reduced or terminated pursuant to an express provision of the Master District Contract. If any Participant disputes the amount to be paid to the Master District, the Participant shall nonetheless promptly make payments as billed by the Master District, and if it is subsequently determined by agreement, arbitration, regulatory decision, or court decision that such disputed payment should have been less, the Master District will then make proper adjustments to all Participants so that the appropriate Participant will receive credit for its overpayments.

Funds

Pursuant to the Trust Indenture, a Debt Service Fund and a Reserve Fund have been created as trust funds for the benefit of the registered owners of the Bonds and Outstanding Contract Bonds. The proceeds from Pledged Contract Payments collected for and on account of the Bonds and Outstanding Contract Bonds shall be transferred to the Trustee directly from each Participant by February 15 and August 15 of each year and then deposited in the Debt Service Fund. See "SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture."

Defeasance of Outstanding Bonds

General. The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of Pledged Contract Payments and all other general defeasance covenants in the Bond Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Bond Resolution, except to the extent provided below for the Paying Agent to continue payments and for the Master District to retain the right to call Defeased Obligations to be paid at maturity, 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 the establishment of irrevocable provisions for the giving of such notice) 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 and when proper arrangements have been made by the Master District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Contract Payments pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given or the establishment of irrevocable provisions for the giving of such notice, in accordance with the Bond Resolution. Any money so deposited with the Paying Agent or an eligible trust company or commercial bank may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Bond Resolution, 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 turned over to the Board of Directors.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Obligations the same as if they had not been defeased, and the Master District shall make proper arrangements to provide and pay for such services as required by the Bond Resolution.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; (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.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent or an eligible trust company or commercial bank for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Resolution shall be made without the consent of the registered owner of each Bond affected thereby.

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

Investments. Any escrow agreement or other instrument entered into between the Master 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 Master District or deposited as directed in writing by the Master District.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Resolution 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.

Trustee/Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by BOKF, N.A., dba Bank of Texas having its principal payment office in Austin, Texas the initial paying agent/registrar (the "Paying Agent"). The Paying Agent must be either a bank, trust company, financial institution or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds. BOKF, N.A., dba Bank of Texas has also been appointed to serve as the Trustee under the Trust Indenture. See "SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture."

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

Record Date

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

Issuance of Additional Bonds

The Master District may issue an unlimited amount of additional contract tax bonds necessary to provide those improvements and facilities pursuant to the terms of the Master District Contract, with the approval of the TCEQ, and the Participants would be responsible for the debt service on such bonds. See "Source of Payment" above, "INVESTMENT CONSIDERATIONS – Future Debt" and "COMPOSITE FINANCIAL STATEMENT – Outstanding Contract Tax Bonds." The Bond Resolution imposes no limitation on the amount of additional bonds which may be issued by the Master District. Any additional contract tax bonds issued by the Master District may be on a parity with the Bonds and outstanding Contract Bonds.

The issuance of additional obligations may increase the Master District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds. The Master District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds for the construction of additional Master District Facilities is subject to approval by the TCEQ pursuant to issuance guidelines established by it. See "INVESTMENT CONSIDERATIONS – Future Debt."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes or other obligations issued by a municipal utility 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. See "MUNICIPAL BOND RATINGS" AND "BOND INSURANCE."

The Master 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 Master District has made no investigation of other laws, regulations or investment criteria which might apply to or otherwise limit the availability of the Bonds for investment or collateral purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds and as to the acceptability of the Bonds for investment or collateral purposes.

Specific Tax Covenants

In the Bond Resolution, the Master District has covenanted with respect to, among other matters, the use of the proceeds of the Bonds and the manner financed therewith by persons other than state or local governmental units, and the manner in which the proceeds of the Bonds are to be invested. The Master 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 effects the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

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

Remedies in Event of Default

If the Master District defaults in the payment of the principal of or interest on the Bonds when due, or the Master District defaults in the observance or performance of any of the covenants, conditions, or obligations of the Master District in the Bond Resolution, the Bond Resolution 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 Master District to make such payment or observe and perform such covenants, obligations, or conditions. Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. Upon the occurrence of an Event of Default, the Trustee may proceed to protect and enforce the rights of the registered owners of the Bonds and Outstanding Contract Bonds. The Trust Indenture does provide certain limitations on the rights of registered owners to institute suits, actions or proceedings at law or in equity upon the occurrence of an Event of Default. 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 Resolution and the Master District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so its application 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. 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 Master District's sovereign immunity from a suit for money damages, registered owners or the Trustee may not be able to bring such a suit against the Master District for breach of the Bond or Bond Resolution covenants. Even if a judgment against the Master District could be obtained, it could not be enforced by direct levy and execution against the Master District's property or property within the Service Area. Further, the registered owners or the Trustee cannot themselves foreclose on property within the Master District or the Service Area or sell such property to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the enforcement of a claim for payment on the Bonds and

Outstanding Contract Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity. 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. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies – Bankruptcy Limitation to Registered Owners’ Rights” and “SUMMARY OF CERTAIN DOCUMENTS – Trust Indenture.”

Annexation and Consolidation

The Master District and the Participants are subject to annexation under certain circumstances. See “ANNEXATION.” In addition, a district (such as the Master District or any Participant) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include such district’s pro rata share of debt service on the Bonds). No representation is made concerning the likelihood of consolidation by any of the Participants.

Alteration of Boundaries

In certain circumstances, under Texas law any Participant (including the Master District) may alter its boundaries to (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the Master District or Participant that is not served by Master District Facilities or internal facilities of a Participant if the Participant simultaneously annexes land of equal acreage and value that may be practicably served by Master District Facilities and the internal facilities of such Participant. No representation is made concerning the likelihood that any Participant would effect any change to 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 Bond Resolution

The Master District may without the consent of or notice to any registered owners amend the Bond Resolution in any manner not detrimental to the interest of the registered owners, including (i) the curing of an ambiguity, inconsistency, or formal defect or omission therein (ii) adding covenants, limitations and restrictions not inconsistent with the Bond Resolution, and (iii) permitting the assumption of the Master District’s obligations under the Bond Resolution. In addition, the Master District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price therefore, or the rate of interest thereon, 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 or interest on the Bonds; (2) give any preference to any Bond over any other Bond; or (3) 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 in 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 Master District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered 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.

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 Master 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 Master 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 Master 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 Master 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 Master District. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The Master 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 Resolution.

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 Resolution will be given only to DTC.

The information in this section concerning DTC and DTC's Book-Entry-Only System has been obtained from sources that the Master District believes to be reliable, but the Master District takes no responsibility for the accuracy thereof.

SUMMARY OF CERTAIN DOCUMENTS

Master District Contract

Each of the Participants has executed the Master District Contract with the Master District and obtained the approval of the Master District Contract from the voters of each Participant at elections held separately within the boundaries of each Participant. The Master District Contract provides that all Participants shall pay a pro rata share of debt service on the Master District bonds, including the Bonds, the Outstanding Contract Bonds and any future unlimited contract tax bonds based upon each Participant's assessed valuation as a percentage of the total certified assessed valuation in the Service Area. Each Participant is obligated to pay its pro rata share of the annual debt service payments from the proceeds of an annual ad valorem Contract Tax which is not limited as to rate or amount which includes the charges and expenses of paying agents, registrars, and trustees utilized in connection with the Bonds, the principal, interest and redemption requirements of the Bonds and all amounts required to establish and maintain funds established under the Bond Resolution or Trust Indenture. Each Participant's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a Contract Tax or other available means of payment is the sole responsibility of each Participant for the purpose of paying its pro rata share of debt service on the Bonds. The Master District Facilities have been constructed with funds provided by Stratus Properties and proceeds from the outstanding Contract Bonds and future unlimited contract tax bonds issued by the Master District will be used to purchase the Master District Facilities from Stratus Properties. The Master District Contract also provides for operation and maintenance expenses for facilities constructed pursuant to the Master District Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

The Master District will own and operate the Master District Facilities. Each Participant within the Service Area (including the Master District in its capacity as provider of internal water distribution, wastewater collection and storm drainage to serve the acreage within its boundaries) will own the internal water distribution, wastewater collection and storm drainage lines within its boundaries; however, the Participants have contracted with the Master District to operate and provide retail billing and collection for their respective internal facilities. The internal facilities have been or are expected to be financed with unlimited tax bonds sold by each of the Participants, including the Master District. It is anticipated that the Master District Facilities will be acquired or constructed in stages to meet the needs of a continually expanding population within the Service Area. In the event that the Master District fails to meet its obligations to provide Master District Facilities as required by the Master District Contract, each Participant has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District Facilities needed to provide service to each Participant, and convey such Master District Facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by each Participant for such Master District Facilities.

Each Participant is further obligated to pay monthly charges to the Master District for water, sewer and drainage, including water quality, services rendered pursuant to the Master District Contract ("Monthly Charge"). The Monthly Charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equal to three months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance will be calculated based upon a combination of actual usage and on usage by multiplying the number of equivalent single-family residential connections reserved to each Participant on the first day of the previous month for each of such services by the unit cost per equivalent single-family residential connection. The monthly cost per single family equivalent connection being charged by the Master District to a Participant for water, sewer and drainage, including water quality, services is presently approximately \$133.78 (winter average monthly use of 20,000 gallon water/10,000 gallon wastewater). See "INVESTMENT CONSIDERATIONS – Water, Wastewater and Water Quality." Pursuant to the Master District Contract, the Monthly Charges are to be paid from the water, wastewater and drainage revenues collected from the internal

facilities of each Participant or, to the extent such revenues are not sufficient, the levy of an ad valorem contract tax.

Pursuant to the Master District Contract each Participant is obligated to establish and maintain rates, fees and charges for services provided by each Participant's water distribution system, wastewater collection system, and drainage system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay each Participant's operation and maintenance expenses, and each Participant's obligations pursuant to the Master District Contract, including each Participant's pro rata share of the Master District's debt service requirements, monthly charges and any expenses related to the retail operation, billing and collecting of the internal facilities by the Master District. All sums payable by each Participant to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension or diminution. If any Participant fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District shall be entitled to cancel, in whole or in part, any reservation or allocation of capacity in the Master District's Facilities by such Participant in addition to the Master District's other remedies pursuant to the Master District Contract. As a practical matter, the Participants have no alternative provider of the services rendered by the Master District under the Master District Contract. See "THE BONDS –Source of and Security for Payment" and – "Unconditional Obligation to Pay." Under certain conditions the Master District may extend the Service Area and provide services to other parties who will become Participants and agree to assume their pro rata share of the bonded indebtedness of the Master District Facilities in the same manner as the existing Participants. In addition, the Master District is authorized to provide services to others as long as the providing of such services does not impair the right of a Participant to receive service from the Master District. The Master District has contracted to provide certain wholesale services to parties who are not Participants. See "PARTICIPANTS IN CURRENT SERVICE AREA – Future Participants" and "MASTER DISTRICT FACILITIES – Wholesale Service Agreements."

The Master District Contract and the Bond Resolution also reserve the right of the Master District to sell, encumber or dispose of the Master District Facilities under certain circumstances. Such sale, encumbrance or disposition can occur only if: (i) it is in accordance with the Master District Contract, (ii) does not impair the ability of the Participants to receive service under the Master District Contract or make payments on the Bonds, (iii) the Master District receives an opinion of nationally recognized bond counsel that it will not adversely affect the tax exempt status of the Bonds, (iv) the Participants do not incur debt or other obligations except as contemplated by the Master District Contract and (v) the Master District makes a finding that it is in the best interest of the Master District and the Participants. The sale of the Master District Facilities is not currently contemplated by the Master District; however, no assurances can be given regarding whether the Master District will exercise this right under the Master District Contract.

Trust Indenture

The Bonds are further secured by a Trust Indenture (the "Trust Indenture") from the Master District to BOKF, N.A., dba Bank of Texas, Austin, Texas, as Trustee. Pursuant to the Trust Indenture, the Master District has assigned to the Trustee all of the Master District's right, title and interest in and to the Pledged Contract Payments under the Master District Contract. Such Pledged Contract Payments, together with all amounts from time to time on deposit in the Debt Service Fund and Reserve Fund maintained by the Trustee pursuant to the Trust Indenture, together with any other security from time to time thereafter granted to the Trustee shall constitute the "Pledged Revenues" held by the Trustee under the Trust Indenture.

Pursuant to the Trust Indenture, the Trustee is to maintain the Debt Service Fund and Reserve Fund as trust funds to be held in trust solely for the benefit of the registered owners of the Bonds and Outstanding Contract Bonds. The Master District has covenanted in the Trust Indenture that it will cause to be charged to each Participant, and collected and deposited into the Debt Service Fund, Pledged Contract Payments in amounts sufficient, together with other Pledged Revenues, to provide for the payment of all interest due on the Bonds and Outstanding Contract Bonds on or before each interest payment date and all principal payments on the Bonds and Outstanding Contract Bonds on each principal payment date. The Debt Service Fund and the Reserve Fund are to be invested only in investments authorized by the laws of the State of Texas but must be invested in a manner such that the money required to be expended from any fund will be available at the proper time or times. Amounts in the Reserve Fund shall be used to pay interest on and principal of the Bonds and outstanding Contract Bonds when insufficient funds are available for such purpose in the Debt Service Fund or to be applied toward the payment of principal of or interest on the Bonds and Outstanding Contract Bonds, or additional bonds hereafter issued pursuant to the Master District Contract or in connection with the refunding or redemption of the Bonds and Outstanding Contract Bonds or any additional bonds.

The Trust Indenture provides that an Event of Default shall be either of the following occurrences:

- (a) Failure to pay when due the principal, redemption price or interest on any Bond and Outstanding Contract Bonds; or
- (b) Failure to deposit to the Debt Service Fund money sufficient to pay any principal of or interest on any Bond and Outstanding Contract Bonds no later than the date when it becomes due and payable.

Upon the occurrence of an Event of Default, the Trustee is required to give notice thereof to the Master District and, subject to the other provisions of the Trust Indenture, may proceed to protect and enforce its rights and the rights of the registered owners of the Bonds and outstanding Contract Bonds by suit, action or proceeding at equity or at law or otherwise, whether for the specific performance of any covenant or agreement contained in the Trust Indenture, Bond Resolution, Bonds or Outstanding Contract Bonds or in aid of the execution of

any power granted in the Trust Indenture or for the enforcement of any of the legal, equitable or other remedy as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce any of the rights of the Trustee or such registered owner, including, without limitation, requesting a writ of mandamus issued by a court of competent jurisdiction compelling the directors and other officers of the Master District and/or the Participants to make such payment (but only from and to the extent of the sources provided in the Trust Indenture) or to observe and perform its other covenants, obligations and agreements in the Trust Indenture. The Trust Indenture provides that the Trustee may seek the appointment of receivers, may act without possession of the Bonds or Outstanding Contract Bonds, may act as attorney in fact for the registered owners, no remedy is exclusive and that the delay or omission in the exercise of any right or remedy shall not constitute a waiver.

The Trust Indenture does not provide for any acceleration of maturity of the Bonds and Outstanding Contract Bonds or provide for the foreclosure upon any property or assets of the Master District or the Participant, other than applying the Pledged Revenues as defined in the Trust Indenture in the manner provided in the Trust Indenture.

The Trust Indenture imposes certain limitations on registered owners of Bonds to institute suits, actions or proceedings at law or in equity for the appointment of a receiver or other remedy unless and until the Trustee shall have received the written request of the registered owners of not less than 25% of all Bonds and Outstanding Contract Bonds and any additional bonds from time to time outstanding and secured by the Trust Indenture and the Trustee shall have refused or neglected to institute such suit, action or proceeding for a period of 10 days after having been furnished reasonable indemnity. Notwithstanding the foregoing, registered owners of more than 50% of the aggregate principal amount of the Bonds and Outstanding Contract Bonds and any additional bonds from time to time issued and outstanding shall have the right, by written instrument delivered to the Trustee, to direct the time, method and place of conducting all proceedings to be taken in connection with the enforcement of the terms and conditions of the Trust Indenture.

Without the consent of the registered owners, the Master District and the Trustee may from time to time enter into one or more indentures supplemental to the Trust Indenture, which shall form a part of the Trust Indenture, for any one or more of the following purposes:

- (1) to cure any ambiguity, inconsistency or formal defect or omission in the Trust Indenture;
- (2) to grant to or confer upon the Trustee for the benefit of the registered owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the registered owners of the Bonds and Outstanding Contract Bonds or the Trustee or either of them;
- (3) to subject to the lien of the Trust Indenture additional revenues, properties or collateral;
- (4) to modify, amend or supplement the Trust Indenture or any supplemental indenture in such manner as to provide further assurances that interest on the Bonds and Outstanding Contract Bonds will, to the greatest extent legally possible, be excludable from gross income for federal income tax purposes;
- (5) to obtain bond insurance or a rating for the Bonds and Outstanding Contract Bonds;
- (6) to permit any unlimited tax contract revenue bonds to be issued in book-entry-only form; and
- (7) to permit the assumption of the Master District's obligations under the Trust Indenture by any other entity that may become the legal successor to the Master District;

provided, however, that no provision in such supplemental indenture shall be inconsistent with the Trust Indenture or shall impair in any manner the rights of the Registered owners.

Except as provided in the preceding paragraph, any modification, change or amendment of the Trust Indenture may be made only by a supplemental indenture adopted and executed by the Master District and the Trustee with the consent of not less than a majority of the aggregate principal amount of the Bonds and Outstanding Contract Bonds then outstanding. However, without the consent of the holders of each outstanding Bond, no modification, change or amendment to the Trust Indenture shall:

- (1) extend the time of payment of the principal thereof or interest thereon, or reduce the principal amount thereof or premium, if any, thereon, or the rate of interest thereon, or make the principal thereof or premium, if any, or interest thereon payable in any coin or currency other than that hereinbefore provided, or deprive such registered owner of the lien hereof on the revenues pledged under the Trust Indenture; or
- (2) change or amend the Trust Indenture to permit the creation of any lien on the revenues pledged hereunder equal or prior to the lien hereof, or reduce the aggregate principal amount of Bonds and Outstanding Contract Bonds. In addition, if no Event of Default exists under the Trust Indenture and the Master District is not in default under the Bond Resolution. The Master District may, upon 60 days written notice to the Trustee and the Owners of the Bonds and Outstanding Contract Bonds, discharge and remove the Trustee.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing, signed by the owners of a majority in principal amount of the Bonds and Outstanding Contract Bonds then outstanding and delivered to the Trustee, with notice thereof given to the Master District.

The Trustee may at any time resign and be discharged from the trusts created by giving written notice to the Master District and by providing written notice to the owners of its intended resignation at least ninety (90) days in advance thereof. Such notice shall specify the date on which such resignation shall take effect and shall be sent by first-class mail, postage prepaid to each registered owner. Resignation by the Trustee shall not take effect unless and until a successor to such Trustee shall have been appointed.

In case the Trustee shall resign, or shall be removed or dissolved, or shall be in the course of dissolution or liquidation, or shall otherwise become incapable of acting, or in case the Trustee shall be taken under control of any public officer or officers or a receiver appointed by a court, a successor may be appointed by the registered owners of a majority in principal amount of the Bonds and outstanding Contract Bonds then outstanding, by an instrument or concurrent instruments in writing, signed by such owners or their duly authorized representatives delivered to the Trustee, with notice thereof given to the Master District; provided, however, that in any of the events above mentioned, the Master District may nevertheless appoint a temporary Trustee to fill such vacancy until a successor shall be appointed by the registered owners in the manner above provided, and any such temporary Trustee so appointed by the Master District shall immediately and without further act be automatically succeeded by the successor to the Trustee appointed by the registered owners. The Master District shall provide written notice to the registered owners of the appointment of any successor Trustee, whether temporary or permanent, in the manner provided in the Trust Indenture for providing notice of the resignation of the Trustee. Any successor Trustee or temporary Trustee shall be a trust company or bank in good standing located in or incorporated under the laws of the State of Texas duly authorized to exercise trust powers and subject to examination by federal or state authority, having a reported capital and surplus of not less than \$150,000,000.

In the event that no appointment of a successor Trustee is made by the registered owners or by the Master District for a period of 90 days from the receipt of notice of such resignation and removal pursuant to the Trust Indenture, the registered owner of any Bond or the retiring Trustee may apply to any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice as it shall deem proper, if any, appoint a successor Trustee.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the Master District's share of the costs for the following projects: (i) south water treatment plant; (ii) raw water, potable water, and force main extensions; and (iii) water and wastewater facilities to serve Barton Creek Section N Phase 1, Sections 1 and 2. In addition, proceeds of the Bonds will be used to: (i) capitalize approximately twenty-four months' interest requirements on the Bonds; (ii) pay certain engineering costs; (iii) pay developer interest; and (iv) pay certain costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds are set forth below. Of the proceeds to be received from the sale of the Bonds, \$4,405,907 is required for construction costs, and \$1,369,093 is required for non-construction costs, including \$418,502 of capitalized interest (approximately 24 months of interest at a rate of 3.623393%).

Construction Costs

A. Developer Contribution Items

None

B. Master District Items

1. Raw Water, Potable Water, and Force Main Extensions	\$ 926,426
2. Barton Creek Section N, William Cannon Ph. 1, Sections 1 & 2 - W & WW	1,505,315
3. Clearing and Excavation	72,184
4. South Water Treatment Plant	1,265,532
5. Contingencies (5% of Item 2)	78,450
6. Engineering and Permitting (22.9% of Items 1 and 2)	558,000

Total Master District Items	\$ 4,405,907
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Total Construction Costs	\$ 4,405,907
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Non-Construction Costs

A. Legal fees (2%)	\$ 115,500
B. Financial Advisor Fees (2%)	115,500
C. Interest Costs	
1 Capitalized Interest (24 months@ 3.623393%)	418,502
2 Developer Interest	312,825 ^(a)
D. Bond Discount (0.862%)	49,780
E. Bond Issuance Expenses	39,180
F. Bond Application Report Costs	44,000
G. Attorney General Fee (0.10%)	5,775
H. TCEQ Bond Issuance Fee (0.25%)	14,438
I. Contingency	253,594 ^(b)

Total Non-Construction Costs	\$ 1,369,093
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TOTAL BOND ISSUE REQUIREMENT	<u>\$ 5,775,000</u>
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(a) Preliminary; subject to change. The amount of Developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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

INVESTMENT CONSIDERATIONS

General

The Bonds are obligations solely of the Master District and are not obligations of the State of Texas; Travis County, Texas; Austin, Texas; or any other political subdivision other than the Master District. The Bonds are payable solely from and to the extent of the Pledged Contract Payments and Pledged Revenues. The obligations of the Participants to make Pledged Contract Payments are several, not joint, obligations pro-rated among the Participants based upon a proportion of the assessed valuation of property within their respective boundaries to the assessed valuation of the Service Area. No Participant is obligated to pay the Pledged Contract Payments allocated to any other Participant. The security for payment of the principal of and interest on the Bonds, therefore, depends on the ability of each Participant to collect annual ad valorem taxes (without legal limit as to rate or amount) levied on taxable property within its boundaries sufficient to pay both debt service requirements on its direct unlimited tax bonds, if any, and to make its Pledged Contract Payments. Taxes collected by each Participant are allocated between Pledged Contract Payments which are the source of payment of the Bonds and Outstanding Contract Bonds and other ad valorem taxes levied by such Participant without priority of taxes levied for one purpose over taxes levied for any other purpose. The collection by each Participant of delinquent taxes owed to it and the enforcement by registered owners of the Participant's obligation to collect sufficient taxes, if required, may be a costly and lengthy process. Furthermore, the Master District and Participants cannot and do not make any representations that continued development of taxable property within the Service Area will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property, if such property is foreclosed upon by a Participant for non-payment of taxes. See "Registered Owners' Remedies" below and "THE BONDS -Source of and Security for Payment."

Factors Affecting Taxable Values and Tax Payments

Economic Factors and Interest Rates: A substantial percentage of the taxable value of the Service Area results from the current market value of single-family residences presently located in the Service Area and from the market value of developed lots and condominium units which currently exist or are being developed by Stratus Properties (the "Developer") for sale to homebuilders and individuals for the construction of residences. The market value of such homes, lots and condominium units is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of homes, lots, and condominium units is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the Service Area or could adversely impact such values.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Lenders have been selective in recent years in making real estate loans in the Austin metropolitan area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete development and construction activities within the Service Area. Because of the numerous and changing factors affecting the availability of funds, the Master District is unable to assess the future availability of such funds for continued development and construction within the Service Area. In addition, although located approximately eight (8) miles from the central downtown business district of the City of Austin, the success of development within the Service Area and growth of Service Area taxable property values are, to a great extent, a function of the Austin metropolitan area and regional economics.

Competition: The demand for and construction of single-family homes in the Service Area could be affected by competition from other residential developments including other residential developments located in other utility districts located near the Service Area, many of which have a more mature development status. 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 new homes proposed to be sold within the Service Area.

The composite tax rate for the Participants may be higher than that of many competing subdivisions, and such higher tax rates could adversely affect future development within the Service Area and the requisite growth of property tax values in the Service Area. Also, lot prices currently charged by the Developer with respect to certain subdivisions in the Service Area may be higher than in competing area subdivisions, and such lot prices may adversely affect home building activities in parts of the Service Area.

The competitive position of the Developer in the sale of developed lots and condominium units and of prospective builders in the construction of single-family residential houses within the Service Area, as well as the position of homeowners in reselling homes, 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 Service Area and tax revenues to be received by the Participants. The Master District can give no assurance that building and marketing programs in the Service Area by the Developer will be implemented or, if implemented, will be successful.

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

Developer Under No Obligation to the Master District: There are no commitments from or obligations of the Developer or any other landowners within the Service Area to develop their property at any particular rate or according to any specified plan, and there is no restriction on any landowner's right to sell all or any portion of its land. Failure to construct taxable improvements on developed lots and failure of landowners to develop their land would restrict the rate of growth of taxable value in the Service Area. The Master District is also dependent upon the Developer and the other principal landowners for the timely payment of the annual ad valorem tax levied by each Participant for the purpose of paying debt service on the Bonds (the "Contract Tax"), and the Master District cannot predict what the future financial condition of the Developer will be, or what effect, if any, the conditions described herein may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Principal Taxpayers."

Dependence Upon the Developer, Lot Owners and Builders: The growth of the tax base is dependent upon additional development of lots in the Service Area and the construction of homes thereon. The Developer is under no obligation to continue to market, or improve, or to develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer. The Master District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom such party may sell all or a portion of its holdings within the Service Area, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The Master District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop their land would restrict the rate of growth of taxable value in the Service Area. See "PARTICIPANTS IN CURRENT SERVICE AREA - Status of Development," and "THE DEVELOPER."

Regulatory Constraints: The Master District together with the other Participants is part of an approximately 3,520 acre master planned community. To the extent the remainder of acreage located within the Participants does not develop due to economic or other factors, including, without limitation, implementation of City and other governmental land use, water quality and other regulatory restrictions, such lack of development may have an adverse impact on the assessed valuation and tax rate within the Master District.

According to representatives of Stratus Properties, it has obtained all of the environmental permits required by current laws and regulations to develop its property within the Participants in the manner currently planned. Notwithstanding Stratus Properties obtaining such permits, the Participants are located in an area considered to be environmentally sensitive and environmental regulations are subject to frequent changes. It is located within the contributory zone of the Edwards Aquifer, and the area in which the Participants are situated is known to provide habitat for certain rare and endangered species of wildlife and plants. The area, therefore, has at various times been subject to ordinances, laws, rules, and regulations including particularly those relating to water quality, that restrict the amount and nature, and increase the cost of, land development in the region. Regulatory entities such as the TCEQ, U. S. Environmental Protection Agency, U.S. Fish and Wildlife Service, and private environmental and special interest groups have historically and may in the future seek to impose development restrictions that could affect the taxable value of land within the Participants. See "INVESTMENT CONSIDERATIONS – Certain Development Regulations." Travis County, including areas within and in the vicinity of the Participants, is known to contain habitat of a number of species listed as endangered or threatened under the Endangered Species Act, including the salamander, golden cheeked warbler, the blackcapped vireo, numerous species of cave or karst dwelling invertebrates, and certain species of plant, including the canyon mock orange and the bracted twist flower. Some of these species and/or their habitat may occur within the Participants. In addition, the Participants may contain or affect the habitat of species yet to be listed, but perhaps suitable for listing. The presence of endangered species or their habitat or potential impact on off-site habitat can significantly and adversely affect the value or usability of property. The Endangered Species Act and the regulations promulgated thereunder may prohibit the destruction or adverse modification of habitat without acquiring an appropriate permit.

Impact on Contract Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the Service Area will be the major determinant of the ability or willingness of the property owners within each Participant to pay their taxes. The aggregate 2014 Certified Assessed Valuation of the Service Area is \$989,621,674 (see "COMPOSITE FINANCIAL STATEMENT"). After issuance of the Bonds, the Maximum Requirement will be \$4,174,906 (2029) and the Average Requirement will be \$3,419,952 (2015 through 2039, inclusive). Assuming (1) no increase or decrease from the 2014 Certified Assessed Valuation, and (2) no use of funds on hand, a Pledged Contract Tax rate of \$0.45 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay each Participant's pro rata share of the Maximum Requirement of \$4,174,906 and a Pledged Contract Tax rate of \$0.37 per \$100 assessed valuation at a 95% collection rate would be necessary to pay each Participant's pro rata share of the Average Requirement of \$3,419,952. The Service Area's aggregate Estimated Assessed Valuation as of January 1, 2015 is \$1,047,256,571. Based upon the assumptions above, a tax rate of \$0.42/\$100 assessed valuation, at a 95% collection and a tax rate of \$0.35/\$100 assessed valuation, at a 95% collection would be necessary to pay the Maximum and Average Requirements, respectively. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax

Adequacy for Debt Service."

The Master District 2014 Pledged Contract Tax for debt service levied by each Participant was \$0.35 per \$100 of assessed valuation. In order for the Participants to maintain their Pledged Contract Tax rates and meet the debt service payments on the Bonds and the Outstanding Contract Bonds, the property tax base in the Service Area must increase rapidly over the next several years. The Master District anticipates that future increases in taxable values of the Service Area will enable it to meet debt service requirements on the Bonds and the Outstanding Contract Bonds without increasing the Pledged Contract Tax above the rates levied in 2014; however, the Master District can make no representation that the taxable property values in the Service Area will increase in the future or will maintain a value sufficient to support the aforementioned Pledged Contract Tax or to justify continued payment of taxes by property owners. See "COMPOSITE FINANCIAL STATEMENT," "TAX DATA - Tax Adequacy for Debt Service," and "APPENDIX A – Certain Financial Information Regarding the Participants."

The Service Area property owners are or will be responsible for the payment of ad valorem taxes levied by each Participant to pay its bonds previously issued or to be issued in the future. See "APPENDIX A" for a listing of outstanding debt of the Participants. Maintenance of each Participant's tax rate will be contingent upon the continued growth within the boundaries of each Participant and within the Service Area. Otherwise, an increase in the tax rate levied to pay the Participant's direct unlimited tax bonds would be necessary to service debt. Absent adequate future growth, the composite tax rate applicable to the Participants could become so high as to adversely affect development in the Service Area, and to jeopardize the ability of the Participants, including the Master District, to levy and collect taxes necessary to meet debt service requirements on outstanding indebtedness, including the Bonds.

In addition, property located within the Service Area is subject to taxation by various other governmental entities. The aggregate amount of taxes imposed by such entities could materially affect development and the sale of homes in the Service Area. See "TAX DATA - Overlapping Taxes for 2014."

Overlapping and Combined Tax Rates

The combined tax rate projections for the Participants reflect a composite tax rate of any Participant including a Participant's debt service and/or maintenance taxes and the Pledged Contract Tax, not to exceed \$0.85 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by a Participant is subject to numerous uncertainties such as the growth of taxable values within the boundaries of each Participant, the amount of direct unlimited tax bonds issued by each Participant, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property situated in the Service Area will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments the growth of property tax values in the Service Area and the investment quality or security of the Bonds could be adversely affected. The combined 2014 tax levies of each Participant (including the Pledged Contract Tax) was \$0.4841 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 3, \$0.7296 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 4, \$0.7693 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 5, \$0.4600 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 6, \$0.9089 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 7, \$0.7213 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 8, and \$0.8756 per \$100 Assessed Valuation for Travis County Municipal Utility District No. 9. Such a combined tax levy is higher than the tax levy of many municipal utility districts in the Austin metropolitan area, although such a combined levy is within the range of levies imposed for similar purposes by certain municipal utility districts in the Austin metropolitan area in stages of development comparable to the Service Area.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Travis County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The total combined tax rate for the Participants includes each Participant's projected tax rate including the Pledged Contract Tax. The projections for the Participants are consistent with the rules of the TCEQ. If the total combined tax rate of the Participants should ever exceed \$1.20, the Participant exceeding \$1.20 and the Master District could be prohibited under rules of the TCEQ from selling additional bonds. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on Contract Tax Rates*" above.

The Master District and each Participant may each independently issue additional debt which may change the projected and actual tax rates in the future, which changes may adversely affect future growth and which could affect the ability of each to issue future debt.

Water, Wastewater and Water Quality

Each Participant is further obligated to pay monthly charges to the Master District for water, wastewater and water quality services rendered pursuant to the Master District Contract. The monthly charges to be paid by each Participant to the Master District will be used to pay each Participant's share of operation and maintenance expenses and to provide for an operation and maintenance reserve equivalent to three months of operation and maintenance expenses. Each Participant's share of operation and maintenance expenses and reserve requirements is based upon a combination of actual usage and a "unit cost" of operation and maintenance expense and reserve requirements calculated by the Master District and expressed in terms of "cost per equivalent single-family residential connection." Each Participant's monthly payment to the Master District for operation and maintenance will be calculated by multiplying the number of equivalent single-family residential

connections reserved to each Participant on the first day of the previous month for each of such services by the unit cost per equivalent single-family residential connection. See "MASTER DISTRICT FACILITIES - Operations."

Undeveloped Acreage

There are approximately 3,282 developable acres of land within the Service Area, of which 819 have not been provided with internal water distribution, wastewater collection and/or storm drainage facilities, including water quality facilities, necessary to the construction of taxable improvements. There are about 2,463 acres of land within the Service Area which have been provided with Master Facilities for water distribution, wastewater collection and/or storm drainage facilities, including water quality facilities. The Master District makes no representation as to when or if such development will occur. See "PARTICIPANTS IN CURRENT SERVICE AREA - Status of Development."

Demand for and Fluctuation of Assessed Valuation of Certain Housing Products

As reflected in "THE DEVELOPER – Description of Developer" herein, the housing product completed and currently planned for portions of the Service Area consists of single family and detached condominium units/patio homes with anticipated prices ranging from \$600,000 to over \$14,000,000. Due to the price ranges of the housing currently under construction and planned within the Service Area, the demand and fluctuation of assessed valuation for such housing product may be more adversely affected by economic conditions than other lower cost housing products within the Austin area. Due to the higher than normal average home values within the Service Area, there is a greater likelihood that homeowners will annually challenge TCAD's appraisals.

Effects of Master Planned Community/Regulatory Constraints

The Developer has represented that it intends to sell developed lots and condominiums to individuals, homebuilders, condominium developers, apartment developers or office/retail developers in the Service Area. See "PARTICIPANTS IN CURRENT SERVICE AREA - Status of Development," "THE BARTON CREEK DEVELOPMENT," and "THE DEVELOPER." However, the Developer has no legal obligation to the Master District to carry out its current plans or any other plans of development within the Service Area. Furthermore, there is no restriction on the Developer or other landowners selling their land. The Master District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developer. See "Factors Affecting Taxable Values and Tax Payments" above.

Neither the Developer nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. See "THE DEVELOPER." Furthermore, the Developer has no binding commitment to the Master District or to the Participants to carry out any plans of development in the Service Area, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment.

Dependence on Principal Taxpayers

Approximately 21.53% (\$214,812,273) of the 2014 taxable property value of the property within the Service Area is owned by Barton Creek Senior Living, Barton Creek Resort and Clubs, Inc., Barton Creek Owner LP, Stratus Properties, Amarra Development LP, Owner's Club at Barton Creek LP, Clubcorp International Inc., and Barton Creek Village, LLC. In the event that such taxpayers, or any other principal taxpayer or developer should default in the payment of taxes in an amount which exceeds the Master District's debt service fund surplus, the ability of the Master District to make timely payment of debt service on the Bonds will be dependent on its ability and the ability of each Participant to collect taxes (including the Pledged Contract Tax) from such delinquent taxpayer and other taxpayers within the Service Area. Failure to recover or borrow funds in a timely fashion could result in an increase in the Pledged Contract Tax rate. See "BARTON CREEK RESORT, LLC" "THE DEVELOPER," "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES –Rights in the Event of Tax Delinquencies."

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 Participants and the Master District. Subject to the requirements of Texas law discussed below, a political subdivision such as the Participants and the Master 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. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the Participants and the Master District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its

creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the Participants and the Master District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by the Participants and the Master District with Texas law requirements, the Participants and the Master 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 owner's claim.

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

Bond Insurance Risks

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

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

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

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

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

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the Master 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 a Participant or the Master 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 a Participant or the Master District, and may prevent the collection of penalties and interest on such taxes.

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

Pursuant to the Master District Contract, the Master District may sell unlimited contract tax bonds in an amount necessary to provide the facilities intended to be provided by the Master District on a parity with the Bonds. The Master District anticipates that it will continue to issue unlimited contract tax bonds in installments over the next several years. Stratus Properties has advanced approximately \$58 million for the engineering and construction of Master District Facilities and have been reimbursed approximately \$34.6 million for such facilities. As of January 1, 2015 approximately \$23.4 million remains owing to Stratus Properties for the Master District Facilities that are currently completed and for endangered species permitting costs.

The Developer completed the construction of the first phase of a new water treatment plant to provide additional service to the Service Area, including approximately 819 acres of undeveloped land in the Service Area, in December 2014. The construction costs of additional utility facilities to serve future development in the Service Area are estimated to be approximately \$7,000,000.

Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the Service Area (assuming projected increases in the value of taxable property made at the time of issuance of bonds are accurate). The Master District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on Contract Tax Rates*" above and "THE BONDS – Issuance of Additional Bonds."

The Master District has the right to issue obligations other than the Bonds, including unlimited tax bonds for the purpose of financing internal water, wastewater and storm drainage facilities within its boundaries, tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose. As a Participant, the voters of the District have authorized the issuance of \$8,850,000 principal amount of unlimited tax bonds, of which \$6,915,000 remains authorized but unissued.

Certain Development Regulations

Property within the Master District and the Participants was originally included in a Water Quality Protection Zone (the "Zone") pursuant to the provisions of Section 26.179 of the Texas Water Code. The purpose of the Zone was to authorize development in accordance with a water quality plan filed by the property owner and approved by the TCEQ. On January 9, 1998, the City of Austin filed a petition in the 345th Judicial District Court in Travis County, Texas (City of Austin v. Horse Thief Ranch et al) to declare unconstitutional and void Section 26.179 of the Texas Water Code and ten (10) water quality zones including the Zone. On June 15, 2000, the Texas Supreme Court in a 6-3 decision affirmed the trial court's decision that Section 26.179 of the Texas Water Code is unconstitutional.

Since the Texas Supreme Court's ruling, any development within the Master District and the other Participants has complied with City of Austin development/water quality ordinances which generally limit the amount of impervious cover. Compliance with the City of Austin development/water quality ordinance will likely result in a less dense development than otherwise allowed under the water quality plan of the Zone and, depending upon market and economic conditions, could adversely affect the ultimate assessed valuation within the Service Area. Additionally, the processing of development plans and plats for the Participants through the City of Austin, without benefit of the Zone, may result in some delay in development approvals.

No Requirement to Build on Developed Lots

There is currently no requirement that individuals or other purchasers of developed lots within the Master District or the other Participants commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the Master District and the other Participants.

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 Master 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 Master 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 Master 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 Master 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 Master 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 Master 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 Master District's ability to obtain TPDES permits and maintain those permits. The Master District may be required to expend substantial funds to meet any of these regulatory requirements. If the Master 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 Master District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted, by reference, the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. Pursuant to the Clean Water Act and EPA regulations, the Master District is defined as a MS4 (Municipal Separate Storm Sewer System) as it is located in an urbanized area as defined by the EPA. Travis County Municipal Utility District No. 4, as a Participant, does not have a population of 1,000 or more people and has, therefore, applied for an exemption to the requirement that it obtain coverage under the permit. Travis County Municipal Utility District No. 4 anticipates receiving an exemption. However, should Travis County Municipal Utility District No. 4 not be exempted from the permitting requirements, the Master District must develop a stormwater management program (the "Stormwater Management Program"). The Stormwater Management Program must include certain minimum control measures as outlined in the Permit. These include pollution prevention and good housekeeping for facility operations, construction site runoff controls, post construction control measures, illicit discharge detection and elimination, and public education. For each minimum control measure, the Master District must utilize one or more best-management practices to achieve minimal compliance as outlined in the permit. Once the Master District has obtained TCEQ approval of the Stormwater Management Program and coverage under the permit, the Master District must report progress under the permit annually to TCEQ. The Master District could incur substantial costs to implement the Stormwater Management Program as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

Operations of the Master 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 Master District must obtain a permit from the U.S. Army Corps of Engineers if operations of the Master District require that wetlands be filled, dredged, or otherwise altered.

Future and Proposed Legislation

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

Drought Conditions

Central Texas, like other areas of the State, is experiencing drought conditions. The Master District adopted a water conservation plan and currently has implemented water restrictions for residents of the Master District and the Participants. The LCRA provides water to the Master District in amounts sufficient to service the residents of the Master District and other Participants. However, as drought conditions continue, water usage and rates could be impacted.

Forward-Looking Statements

The statements contained in this Official Statement, and in any other information provided by the Master District, that are not purely historical, are forward-looking statements, including statements regarding the Master 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 Master District on the date hereof, and the Master 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 competition, 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.

THE BARTON CREEK DEVELOPMENT

The Barton Creek development encompasses approximately 4,157 acres located in western Travis County, Texas, including (i) approximately 3,520 acres located within the boundaries of the Participants, (ii) approximately 305 acres located within Travis County Water Control & Improvement District No. 19 ("WCID 19"), and (iii) approximately 332 acres located outside the boundaries of any municipal utility district, but located within the service area of the Barton Creek Water Supply Corporation (collectively, the "Barton Creek Development").

Development of the Barton Creek Development began in the mid-1980s when the then-developer initiated development within WCID 19, the service area of the Barton Creek Water Supply Corporation and what is now the boundaries of the Master District. Initial development within the Barton Creek Development included construction of the water supply and sewage treatment facilities serving the development, various single-family home lots and the Barton Creek Resort and Spa. Such development was halted shortly after initiation.

Between 1988 and 1990, Stratus Properties' predecessors-in interest acquired a significant portion of the Barton Creek Development, including existing unimproved lots, undeveloped land, the water supply and sewage treatment facilities and the Barton Creek Resort and Spa. Development within WCID 19 was reinstituted in 1990. Development within the Participants was reinstituted in 1996.

The Barton Creek Development is a master planned community currently designed to contain single family, multi-family, condominium, commercial, office, retail and recreational development and related uses. As of March 1, 2015 residential development within the Participants included 419 completed single family homes, 52 single family homes under construction, 90 developed single family vacant lots, 200 completed detached condominium patio homes, 2 detached condominium patio homes under construction, 12 developed detached condominium patio home vacant lots, one 250 unit apartment complex including a clubhouse, fitness center and pool area; additional development includes a senior living center, and commercial, retail and office development.

Development within Travis County Municipal Utility District No. 3 includes 806 acres of single-family residential subdivisions and a 250 unit multi-family complex known as the Sendera at Barton Creek apartment complex that includes a clubhouse, fitness center, and pool area on 24.53 acres. Vacant lots are being marketed to various custom homebuilders and individuals with housing products to exceed \$1,000,000

in purchase price. Additional development within Travis County Municipal Utility District No. 3 includes the Querencia senior living facility discussed below, a private school constructed on 31.35 acres, and approximately 11,000 square feet of retail space and 15,000 square feet of office space constructed on approximately 8 acres.

Within Travis County Municipal Utility District No. 5, 139 residential lots have been developed on 231.41 acres, including Calera Court, Calera Drive, Amarra Drive, Phase 1, Amarra Drive, Phase 2 and Amarra Drive Phase 3A. Lots are being sold to individuals and custom homebuilders. Residences in Calera Court range from 1,900 to 3,000 square feet with a sale price ranging from \$620,000 to \$675,000; while homes in Calera Drive range from 5,000 to 9,000 square feet with a sale price ranging from \$1,600,000 to \$4,000,000. Residences in Amarra Drive, Phase 1 range from 3,000 to 7,000 square feet with a sale price ranging from \$1,200,000 to \$3,000,000; while homes in Amarra Drive, Phase 2 range from 3,600 to 8,000 square feet with a sale price ranging from \$1,400,000 to \$3,800,000 and homes in Amarra Drive, Phase 3A range from 2,500 to 4,500 square feet with a sales price ranging from \$850,000 to \$1,600,000. Stratus Properties currently owns 14 developed single family lots and 4 detached condo lots in Amarra Drive, Phases 1 and 2. Stratus Properties completed the construction of the utility facilities to serve Amarra Drive, Phase 3B, which includes 64 single family lots and a 21 acre commercial site in March 2015. Additionally, Stratus Properties began construction of utility facilities to serve Block G within Travis County Municipal Utility District No. 5 in February 2015, to be developed as 20 detached patio home lots on 19.8 acres. Construction of such utility facilities is expected to be completed by August 2015.

Within Travis County Municipal Utility District No. 6, the Escala Subdivision has been developed as 65 residential lots on 264.62 acres. Lots are being sold to individuals and custom homebuilders. Residences in Escala range from 3,600 to over 30,000 square feet with a sale price ranging from \$1,600,000 to \$9,000,000.

Within Travis County Municipal Utility District No. 8, the Mirador Subdivision has been developed as 34 residential lots on 186 acres. Lots are being sold to individuals and custom homebuilders. Residences in Mirador range from 3,400 to 7,000 square feet with a sale price ranging from \$1,500,000 to \$7,000,000. Stratus Properties will complete the extension of Tecoma Circle north of Southwest Parkway in April 2015. This project will provide road and utility service to the first phase of Baron Creek Section N, located within Travis County Municipal Utility District No. 8. In addition to Tecoma Circle, Stratus Properties has also begun construction of a 236 unit multi-family project in Barton Creek Section N on approximately 35 acres. It is anticipated that the first two apartment buildings and club house will be completed by October 2015.

In September 2005, the Travis County Health Facilities Development Corporation issued tax-exempt bonds in the amount of \$111,570,000 on behalf of BCSLC to construct and equip Querencia at Barton Creek, a continuing care retirement community. Querencia at Barton Creek opened in June 2007 and is constructed on approximately 38 acres in the Barton Creek Development in southwest Austin. The Community is comprised of 167 Independent Living apartments and villas, 40 Assisted Living suites and 23 Memory Support Assisted Living suites and a nursing facility with 42 health center beds. Life care residents pay entrance fees ranging from approximately \$321,484 to \$1,060,688 of which 90% is refundable. As of March 2015, there were 164 Independent Living units, 39 Assisted Living units, 23 Memory Support Assisted Living units, and 40 Skilled Nursing units occupied.

For a description of the Barton Creek Resort and Country Club and the Owners Club at Barton Creek located within the Barton Creek Development see "BARTON CREEK RESORT, LLC" in this Official Statement.

In addition to the development occurring within the Participants, WCID 19 includes 227 homes and the service area of the Barton Creek Water Supply Corporation includes 212 homes.

THE MASTER DISTRICT

General

The Master District is a political subdivision of the State of Texas created, along with six other conservation and reclamation districts, by an act of the 74th Regular Session of the Texas Legislature (S.B. 1606) on June 16, 1995 and operates under Chapters 49 and 54 of the Texas Water Code, as amended. The Master District is subject to the continuing supervision of the TCEQ.

The Master 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, including water quality, to the acreage within its boundaries and the Service Area in its capacity as the provider of certain Service Area wide improvements. The Master District may also provide park and recreational facilities and solid waste disposal services. The Master District may issue bonds and other forms of indebtedness to purchase or construct such facilities, if approved by the voters within the Master District and the TCEQ. The Master District may also establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts and provide such facilities and services to the customers of the Master District.

Description and Location

Travis County Municipal Utility District No. 4, as a Participant, encompasses 491.54 acres of land, and in its capacity as the Master District and as the provider of certain area-wide utilities serves the approximately 3,520 acres located in the Service Area, including the acreage within the Master District's boundaries. In addition, the Master District provides wholesale water and sanitary sewer service to Travis County Water Control & Improvement District No. 19 ("WCID 19") and provides wholesale water service to the Barton Creek Water Supply Corporation. See "MASTER DISTRICT FACILITIES – Wholesale Service Agreements." The Master District and its Service Area are located approximately 8 miles south - southwest of Austin's central business district and is situated approximately 2 miles southwest of the intersection of RM 2244 and Capital of Texas Highway. The Service Area lies wholly within the extraterritorial jurisdiction of the City of Austin and within the boundaries of the Austin Independent School District. Access to Barton Creek is currently provided by Capital of Texas Highway to RM 2244 to Barton Creek Boulevard.

PARTICIPANTS IN CURRENT SERVICE AREA

Creation, Authority and Description

Travis County Municipal Utility District Nos. 3, 4 (in its role as a participating district), 5, 6, 7, 8 and 9 (the "Participants") operate as municipal utility districts pursuant to Chapters 49 and 54 of the Texas Water Code and are located within the Barton Creek Development. The creation of the Participants was initiated separately by Stratus Properties to finance the construction of water, wastewater and storm drainage facilities within the Participants' boundaries. The Participants were created by a special act of the Texas Legislature.

The Participants are empowered to exercise all powers and functions which will permit accomplishment of the purposes for which they were created. Each Participant may issue bonds, with the approval of the TCEQ and the authorization of its board of directors and (if payable from taxes) its voters, to acquire and maintain facilities necessary to providing water, wastewater, and storm drainage, including water quality, to the land within their respective boundaries. Each Participant may also establish, operate, and maintain a fire department or contract for fire-fighting services, if the TCEQ and its voters approve a plan for that purpose. To date, Travis County Municipal Utility District No. 3 has issued five series of new money unlimited tax bonds totaling \$11,110,000 and five series of refunding unlimited tax bonds totaling \$13,990,000, Travis County Municipal Utility District No. 4 as a Participant district has issued one series of new money unlimited tax bonds in the amount of \$1,935,000 and one series of refunding unlimited tax bonds in the amount of \$1,730,000, Travis County Municipal Utility District No. 5 has issued two series of new money unlimited tax bonds totaling \$4,725,000, Travis County Municipal Utility District No. 6 has issued one series of new money unlimited tax bonds in the amount of \$1,710,000 and one series of refunding unlimited tax bonds in the amount of \$1,460,000, and Travis County Municipal Utility District No. 8 has issued two series of new money unlimited tax bonds in the amount of \$2,290,000. Travis County Municipal Utility District No. 7 and Travis County Municipal Utility District No. 9 have not issued unlimited tax bonds for the purposes described above, but each district anticipates issuing bonds in the future.

Operations

Pursuant to the Master District Contract, the Master District will deliver potable water to each of the customers of the Participants. The Master District will also collect domestic wastewater from the Participant's customers using wastewater services, which the Master District treats and discharges pursuant to the Master District Contract. In addition, the Master District will construct, acquire, maintain and operate storm drainage facilities, including water quality facilities, necessary to serve the Service Area. See "INVESTMENT CONSIDERATIONS" and "MASTER DISTRICT FACILITIES – Regional Water Quality Facilities." The Master District will also be responsible for the retail billing and collecting for services provided. The Master District will be responsible for establishing retail rates for water, sewer and drainage (water quality) service, and is required by the Master District Contract to do so at a level which will produce sufficient revenue to pay operating and maintenance charges of the Master District, to pay other costs of operating and maintaining its own utility systems, and together with tax revenues, to pay its pro rata share of debt service requirements on the Bonds and Outstanding Contract Bonds. The Master District does not expect that revenues from the Participant's retail charges will ever be sufficient to pay a significant portion of Pledged Contract Payments for application to debt service on the Bonds.

Management

Each Participant is governed by a board of directors consisting of five members, which has control and management of all affairs of that Participant. A director's election is held within the boundaries of each Participant. Recent legislation has impacted the ability of certain political subdivisions, such as the Master District, to hold elections in May of even-numbered years. The Board recently voted to conduct its future elections in November of even numbered years. Directors are elected to serve four-year staggered terms. All such directors reside or own property within the Participant on whose board they serve. None of the Participants have any employees. Each Participant contracts for all services required to maintain its operations. The Commission exercises continuing supervisory jurisdiction over each Participant, and operation of each Participant's water, wastewater and storm drainage facilities is subject to regulation by several other state and local agencies.

Financial Data

For a description of the status and history of development within each Participant, its debt structure, principal taxpayers, tax base and collection history, see "APPENDIX A - Certain Financial Information Regarding the Participants."

Future Participants

The Master District has contracted with the Participants covering the entire Service Area. The Service Area may only be enlarged upon approval of a majority of the Participants. The Master District has the right to contract with other participants. Any contract with a participant outside the existing Service Area and any enlargements in size and capacity of the Master District Facilities is subject to the terms and conditions of the Master District Contract and must not impair the right of a Participant to receive services from the Master District except with the consent of the Participants. The Master District agrees that it will only contract with other participants, if any, on substantially the same terms and conditions as are set out in the Master District Contract.

The Master District Contract also provides for the expansion of the Service Area to include customers which are not Participants ("Non-Participants") as long as (1) a majority of the Participants approve the expansion of the Service Area, and (2) Non-Participants agree to pay rates for services equal to (i) the cost of providing water and wastewater services, and (ii) the pro rata share of the capital cost of the Master District Facilities necessary to serve the Non-Participants. The Master District has entered into contracts with Travis County Water Control & Improvement District No. 19 ("WCID 19"), pursuant to the provisions of the Master District Contract, and accepted an assignment of a previous agreement to supply water to Barton Creek Water Supply Corporation ("BCWSC"). See "Service Area" below and "MASTER DISTRICT FACILITIES – Wholesale Service Agreements."

Service Area

Pursuant to the Master District Contract, the Master District is responsible for providing water, wastewater and storm drainage facilities, including water quality facilities, to serve the 3,520 acre Service Area. In addition, the Master District is providing wholesale water supply and wastewater treatment service to the approximate 637 acres located outside the boundaries of the Participants, including wholesale water supply and wastewater treatment services to approximately 305 acres located in WCID 19 (227 equivalent single family connections for water service and 172 equivalent single family connections for wastewater service), and wholesale water supply services to approximately 332 acres served by BCWSC (212 equivalent single family connections).

WCID 19 and BCWSC are being served pursuant to individual wholesale service contracts (the "Wholesale Service Agreements") executed between the Master District and WCID 19 and BCWSC, respectively. See "MASTER DISTRICT FACILITIES - Wholesale Service Agreements."

Status of Development

The following chart more completely describes the status of development within the Service Area as of March 1, 2015:

(The chart appears on the following page)

		Net Acreage	Platted Lots			Completed Units			Under Construction		Vacant Lots	
MUD	Section		Other	Single Family	Detached Condo	Single Family	Detached Condo	Multi- Family	Single Family	Detached Condo	Single Family	Detached Condo
A. Developed with Utility Facilities												
3	The Woods II	79.91	-	73	-	67 ^(a)	-	-	1	-	5	-
3	The Fairways	24.42	-	-	49 ^(b)	-	49	-	-	-	-	-
3	North Rim	60.61	-	18	-	17	-	-	-	-	1	-
3	Sendera at Barton Creek	24.53	250 ^(c)	-	-	-	-	250	-	-	-	-
3	ABC Mid./ Woods III	66.06	-	71	-	71	-	-	-	-	-	-
3	The Pointe	73.42	-	-	65 ^(d)	-	63	-	-	2	-	-
3	Governor's Hill	31.39	- ^(e)	-	44	-	44	-	-	-	-	-
3	Gateway South	6.38	-	1	-	1	-	-	-	-	-	-
3	SWACS	31.35	- ^(f)	1	-	1	-	-	-	-	-	-
3	Section H-3	19.05	-	3	-	-	-	-	-	-	3	-
3	ABC West Ph. 1	149.16	- ^(g)	75	-	74	-	-	-	-	1	-
3	ABC West Ph. 2	120.24	-	47 ^(h)	-	43	-	-	2	-	2	-
3	Barton Creek Retail	8.00	3	-	-	-	-	-	-	-	-	-
3	Verano Drive	103.29	-	71	-	29 ⁽ⁱ⁾	-	-	22 ⁽ⁱ⁾	-	16	-
3	Querencia	27.84	168 ^(j)	-	-	-	-	-	-	-	-	-
4	Barton Creek Resort	491.54	- ^(k)	-	36	-	28	-	-	-	-	8
5	Calera Court	15.34	-	-	16	-	16	-	-	-	-	-
5	Golf Course	255.06	- ^(l)	-	-	-	-	-	-	-	-	-
5	Calera Drive	71.02	-	53	-	32	-	-	12	-	9	-
5	Amarra Drive, Ph 1	40.15	-	6	2	1	-	-	3	-	2	2
5	Amarra Drive, Ph 2	89.44	-	35	2	1	-	-	10	-	24	2
5	Amarra Drive, Ph 3A	63.89	-	25	-	8	-	-	1	-	16	-
5	Amarra Drive, Ph 3B	84.77	- ^(m)	64	-	-	-	-	-	-	64	-
5	Amarra Commercial	21.00	- ^(m)	-	-	-	-	-	-	-	-	-
5	Block G	19.80	- ^(m)	-	20	-	-	-	-	-	-	20
6	Section J, Phase 1	27.28	-	11	-	11	-	-	-	-	-	-
6	Section J, Phase 2	237.34	-	54 ⁽ⁿ⁾	-	40	-	-	-	-	5	-
8	Mirador	186.00	-	34 ^(o)	-	23	-	-	1	-	6	-
8	Section N	35.00	236 ^(p)	-	-	-	-	-	-	-	-	-
		2,463.27	657	642	234	419	200	250	52	2	154	32
B. Remaining Undeveloped but Developable Acreage												
7		186.22										
8		349.00										
9		283.34	818.57									
C. Undevelopable Acreage												
3		28.37										
5		26.33										
6		7.01										
7		31.12										
8		138.30										
9		7.41	238.54									
Total Acreage		3,520.38										

(The footnotes appear on the following page)

- (a) Includes 4 homes built on two lots each.
- (b) Platted as one lot, but developed as detached condominium units/patio homes with 49 units.
- (c) Sendera at Barton Creek, platted as one lot, is a multi-family development apartment complex with 250 total units with a living unit equivalency of 175.
- (d) Platted as one lot, but developed as 65 detached condominium units/patio homes and one gatehouse.
- (e) Platted as two lots, one of which is a single family residence and the other of which is currently being developed as 44 detached condominium units/patio homes.
- (f) Developed by Southwest Austin Catholic School, a Texas nonprofit corporation, as a private school for grades K through 8. The school opened in September, 1999.
- (g) ABC West is being developed in phases. Phase one includes 75 single family lots and 5 commercial/multifamily lots. The 5 commercial/multifamily lots have been developed with utility facilities. Includes one single family home built on two lots.
- (h) Includes 41 single family lots and 6 estate lots.
- (i) Includes one completed home on three lots, one completed home on two lots, and one home on two lots currently under construction.
- (j) Senior living facility.
- (k) Includes the Barton Creek Resort and Spa and Owners Club.
- (l) Includes the Fazio Canyons golf course.
- (m) Stratus Properties completed construction of the utility facilities to serve Amarra Drive, Phase 3B, which includes 64 single family lots and a 21 acre commercial site, in March 2015. Additionally, Stratus Properties began construction of utility facilities to serve Block G within Travis County Municipal Utility District No. 5 in February 2015, to be developed as 20 detached patio home lots on 19.8 acres. Construction of such utility facilities is expected to be completed by August 2015.
- (n) Includes four homes built on two lots each, one home built on three lots and one home built on four lots.
- (o) Includes two homes built on two lots each and the two owners own three lots each.
- (p) A 236 unit apartment complex is currently under construction in Barton Creek Section N on approximately 35 acres, located within Travis County Municipal Utility District No. 8. It is anticipated that the first two apartment buildings and club house will be completed by October 2015.

THE DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district such as those in the Service Area include purchasing the land within a future district; petitioning for creation of the district; designing the development; defining a marketing program; planning and scheduling development; securing necessary governmental approvals and permits for development; arranging for the construction and installation of roads, utilities, and drainage facilities; and selling improved and unimproved lots or development parcels to builders, other developers or third parties. Ordinarily, a developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection and treatment and drainage facilities. However, the TCEQ may require the developer to pay up to thirty percent (30%) of the cost of certain water distribution, wastewater collection and drainage facilities. While a developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds. The primary developer currently active within the Service Area is Stratus Properties.

Description of Developer

Stratus Properties Operating Co. L.P.

Portions of the original land located within the Participants were planned for development by a developer during the mid- 1980s. At that time, the developer initiated development within WCID 19 and the service area of BCWSC and constructed the water supply facilities, sewage treatment facilities and the Barton Creek Country Club. During the late 1980s most of the land and facilities were subsequently acquired by the developer's lender.

Between 1988 and 1990, Stratus Properties Operating Co., a Delaware general partnership (or its predecessors-in-interest) acquired virtually all of the undeveloped property located within the Participants, the Barton Creek Resort and Country Club, the undeveloped land located within WCID 19 and BCWSC, and an additional approximately 500 acres located in the vicinity of the existing development property and within the boundaries of the City of Austin.

On December 15, 1999 Stratus Properties Operating Co. (formerly named FM Properties Operating Co.) was converted to a limited partnership now named Stratus Properties Operating Co., L.P., a Delaware limited partnership, having Stratus Investments L.L.C., a Delaware limited liability company ("Stratus Investments, L.L.C."), as its 99% limited partner and STRS L.L.C., a Delaware limited liability company, as its 1% general partner. Stratus Investments L.L.C. and STRS L.L.C. are each owned 100% by Stratus Properties Inc., a Delaware corporation. The stock of Stratus Properties Inc. is traded over the NASDAQ. Stratus Properties is currently active in land development in the Austin, Texas area.

Initial development activities of Stratus Properties included expansion of the country club facilities, construction of a second 18-hole golf course and the development of single-family home lots located within WCID 19.

Between 1990 and 1995, Stratus Properties halted development within the Barton Creek Development as a result of various ordinances adopted by the City of Austin which affected land development in the City of Austin's extraterritorial jurisdiction.

In 1995, the Texas Legislature enacted legislation creating the seven (7) municipal utility districts which currently encompass the Participants. Beginning in 1995, Stratus Properties sold five (5) separate tracts totaling approximately 197 acres within the Participants to other developers and sold the Barton Creek Resort and Country Club to Barton Creek Resort & Clubs, Inc. Such sales were part of Stratus Properties' plans to reduce its outstanding debt by selling, rather than developing, some of its property. As a result of these and other sales, Stratus Properties reduced its outstanding debt. According to representatives of Stratus Properties, its current development plan for its property located within the Participants includes installation of the Master District Facilities and either selling undeveloped tracts to developers who will provide for the final development of such property or completing development and selling developed tracts. Certain tracts are available for commercial improvement.

Stratus Properties generally finances its development and other activities through a credit facility with Comerica Bank – Texas. The credit facility includes a \$35,000,000 revolver, a \$3,000,000 letter of credit tranche, and a \$10,000,000 construction loan to fund costs to develop the regional road and infrastructure for Section N of Barton Creek. Stratus Properties currently has a letter of credit of \$2,692,801 outstanding against the letter of credit tranche, letters of credit of \$1,908,401 outstanding against the construction loan, and has \$12,627,870 available under the revolver.

In conjunction with its development activities within the Barton Creek Development, Stratus Properties has obtained a permit from the U.S. Department of the Interior U.S. Fish and Wildlife Service which, according to Stratus Properties, allows it to develop approximately 4,684 acres for approximately 2,057 single family homes, 1,827 multi-family units, 400 villa residences and 4,600,000 square feet of commercial improvements pursuant to its current development plan. According to representatives of Stratus Properties, the inclusion of the Barton Creek salamander to the endangered species list along with the ineffectiveness of the Zone is not currently expected to significantly affect its development plans. See "INVESTMENT CONSIDERATIONS."

Stratus Properties is subject to the information reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and, in accordance therewith, files reports, proxy statements and other information with the United States Securities and Exchange Commission (the "SEC"). Such reports, proxy statement and other information may be inspected at the public reference facilities maintained by the SEC at 450 Fifth Street, N.W., Washington D.C. 20549 and at the following regional offices of the SEC: 26 Federal Plaza, New York, New York 10007 and Kluczynski Building, 230 South Dearborn Street, Chicago, Illinois 60604. Copies of such material can be obtained at prescribed rates by writing to the public reference section of the SEC at 450 Fifth Street, N.W., Washington D.C. 20549.

Stratus Properties and other previous developers have developed various tracts of property within the Participants as single family, detached condominium/patio homes and/or commercial multi-family lots complete with utilities and street paving. The current developer is marketing lots to various custom homebuilders with the price range of homes being constructed within the Participants ranging from \$600,000 to over \$14,000,000.

Stratus Properties currently owns 14 developed single family lots and 4 detached condo lots in Amarra Drive, Phases 1 and 2, located within Travis County Municipal Utility District No. 5. Stratus Properties completed construction of the utility facilities to serve Amarra Drive, Phase 3B, which includes 64 single family lots and a 21 acre commercial site in March 2015. Additionally, Stratus Properties began construction of utility facilities to serve Block G within Travis County Municipal Utility District No. 5 in February 2015, to be developed as 20 detached patio home lots on 19.8 acres. Construction of such utility facilities is expected to be completed by August 2015. Stratus Properties will complete the extension of Tecoma Circle north of Southwest Parkway in April 2015. This project will provide road and utility service to the first phase of Baron Creek Section N, located within Travis County Municipal Utility District No. 8. In addition to Tecoma Circle, Stratus Properties has also begun construction of a 236 unit multi-family project in Barton Creek Section N on approximately 35 acres. It is anticipated that the first two apartment buildings and club house will be completed by October 2015.

Amarra Development LLC

On December 28, 2011, Amarra Development LLC ("Amarra Development") purchased 15.46 acres from Stratus Properties and developed such acreage as Amarra Drive, Phase 3A (25 single family lots) within Travis County Municipal Utility District No. 5 in 2012.

Amarra Development is a Texas limited liability corporation which is managed by Roper Investment Corporation, a Texas corporation, and Doyle Wilson. According to Amarra Development, the acquisition and development costs related to Phase 3A was funded with cash and funds from Frontage Funding LLC, a Texas limited liability company owned by Mark Roper.

Amarra Development entered into an agreement with Canyon Homes, LLC, a Texas limited liability company, for the purchase of the lots as

they are sold to buyers. Canyon Homes, LLC is constructing homes in ranging in size from 3,200 to 5,000 square feet and ranging in price from \$950,000 to \$1,600,000. As of March 1, 2015 residential development within Amarra Drive, Phase 3A included 8 completed single family homes, 1 single family home under construction and 16 developed single family vacant lots.

BARTON CREEK RESORT, LLC

History

In 1995, Barton Creek Resort & Clubs, Inc., a Texas corporation and a subsidiary of Club Corp USA, Inc., a Delaware corporation, which is a subsidiary of ClubCorp, Inc., a Delaware corporation (collectively referred to as "ClubCorp"), purchased the Barton Creek Resort and Spa from Stratus Properties.

On December 26, 2006, KSL Capital Partners, LLC ("KSL Capital Partners"), a Delaware limited liability company, acting through affiliated entities, purchased the stock of ClubCorp. In conjunction with such purchase, Barton Creek Resort & Clubs, Inc. deeded the Barton Creek Resort and Spa (recently rebranded as the Omni Barton Creek Resort and Spa) to Barton Creek Resort, LLC, a Delaware limited liability company ("Barton Creek Resort").

Purchase and Change of Management

In June 2013, Omni Barton Creek Inc. ("Omni Barton Creek"), a Delaware corporation and a subsidiary of Omni Hotels Corp. ("Omni Hotels"), a Delaware corporation, purchased the stock of Barton Creek Resort, the then owner of the Omni Barton Creek Resort and Spa. KSL BC Management Company LLC served as the manager of Barton Creek Resort and Spa from 2006 to June 2013, but with the acquisition by Omni Barton Creek, management of the Omni Barton Creek Resort and Spa is now provided by Omni Hotels. Omni Hotels owns, operates or manages approximately 50 hotels and resorts throughout the United States, Canada and Mexico. Omni Hotels and its subsidiaries currently employ more than 15,000 individuals.

Representatives of Omni Hotels have represented to the Master District that permanent financing of the acquisition of the Omni Barton Creek Resort and Spa has not been determined. No assurances can be given regarding the terms, collateral and other provisions related to any permanent financing to be obtained by Omni Barton Creek.

General

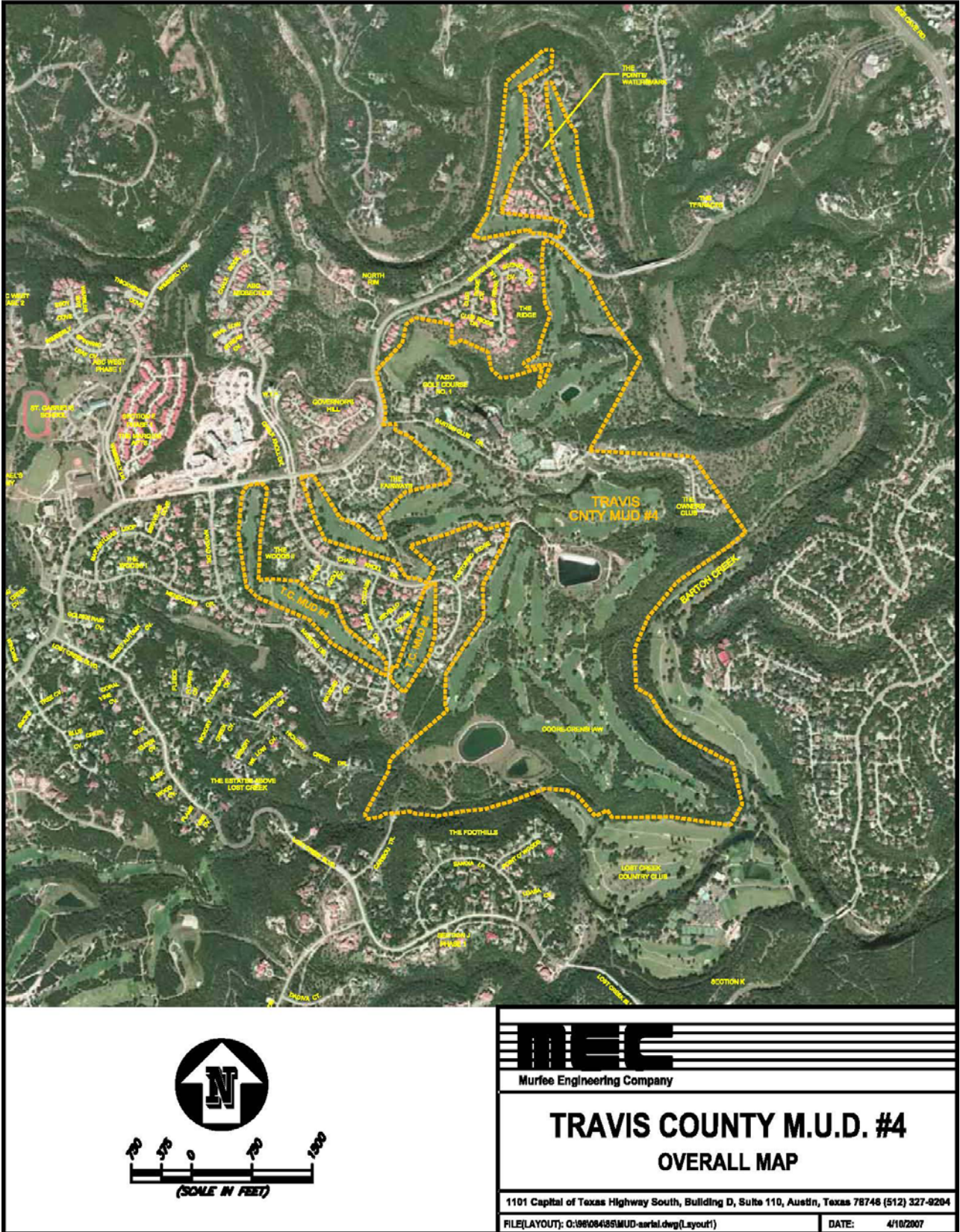
Omni Barton Creek Resort and Spa's main location is located at 8212 Barton Club Drive, Austin, Texas. From that location which is within the boundaries of Travis County Municipal Utility District No. 4, and located on approximately 492 acres, Omni Barton Creek Resort and Spa's property consists of: a 51,000 square foot clubhouse, several restaurants, a 43,750 square foot conference center (including 47 meeting rooms), a 312 room hotel, the Fazio Foothills 18-hole golf course, the Crenshaw 18-hole golf course, sports and tennis shops, 11 lighted tennis courts, three swimming pools, a fitness center and spa, jogging trails and a three-level parking garage. Omni Barton Creek Resort and Spa operates both as a private club open to members and their guests, and a resort hotel available to the public.

Omni Barton Creek Resort and Spa also includes two golf courses located outside the boundaries of Travis County Municipal Utility District No. 4, the Fazio Canyons golf course and the Lakeside Palmer golf course. The Fazio Canyons golf course is located within the boundaries of Travis County Municipal Utility District No. 5, and according to Barton Creek Resort representatives, is ultimately expected to include a clubhouse facility and a golf cart barn. The Lakeside Palmer golf course is located outside the boundaries of the Participant districts and has a complete clubhouse and country club facilities for members, members' guests and resort guests.

The Owners Club at Barton Creek

Additionally, The Owners Club at Barton Creek, L.P., a Texas limited partnership, has developed the Owners Club at Barton Creek (the "Owners Club at Barton Creek"). The Owners Club at Barton Creek will include up to 36 separate 2,600 square foot units including three bedrooms and a one-car garage ("Club Homes") located within the boundaries of Travis County Municipal Utility District No. 4. As of March 1, 2015, 28 of the Club Homes were complete and no Club Homes were under construction. The purchase price and annual fees entitle the owner to 27 days lodging at a Club Home or, based upon space availability, at other club homes located at affiliated owners club sites in Hilton Head, South Carolina, Hot Springs, Virginia, and/or Marina Vallarta, Puerto Vallarta, Mexico. Through a contractual arrangement, the Owners Club at Barton Creek hires Barton Creek Resort to provide certain services including concierge services to the Owners Club at Barton Creek.

BARTON CREEK DEVELOPMENT MAP



MASTER DISTRICT FACILITIES

Regulation

Construction and operation of the Master District Facilities as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the Master District, in its capacity as the Master District and in its capacity as a provider of internal utility services. Disposal of treated wastewater effluent into Texas waters, if any, is also subject to the regulatory authority of the TCEQ and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory jurisdiction of Travis County.

Water Supply and Distribution

According to the Master District's Engineer, the Master District Facilities related to water supply currently consist of an intake structure, various water lines running from the intake structure to a water treatment plant, a 4,000,000 gallon per day ("gpd") water treatment plant, 300,000 gallon and 500,000 gallon ground storage tanks, two 500,000 gallon elevated storage tanks, 5,000 gallon hydropneumatic tank, service pump capacity of 3,900 gallons per minute ("gpm") and various related appurtenances. The Master District purchases raw water from the Lower Colorado River Authority (the "LCRA") pursuant to a contract that runs through October 2021, treats such water and distributes it throughout the Participants. The existing 4,000,000 gpd water treatment plant will allow the Master District to serve up to 2,136 living unit equivalents ("LUEs"). In addition to providing water supply service to customers located within the Participants, the Master District is committed to providing wholesale water service to WCID 19 for 227 LUEs and BCWSC for 212 LUEs. See "PARTICIPANTS IN THE CURRENT SERVICE AREA" and "Wholesale Service Agreements" below.

The Master District, through Stratus Properties, completed the first phase of a second water treatment plant to provide service to the southern portions of the development area. This includes a portion of the Service Area presently supplied by the 4.0 mgd plant thus reducing the area served by the 4.0 mgd plant. The new second plant was made operational in January 2015. The first phase of the new water treatment plant can treat and deliver up to 2.0 million gallons of water per day. The additional 2.0 mgd of capacity is sufficient to serve 1,068 LUEs and relieves a portion of the demands on the existing water treatment plant. This portion of the Service Area is provided water at a higher hydraulic grade and will operate independently under normal conditions from the 4.0 mgd water treatment plant. The combined treatment capacities of the two plants (a total of 6.0 mgd) are sufficient to serve up to 3,204 LUEs.

The Master District will monitor the water needs and system demands of the development within its service area to assure that adequate treatment capacities are in place to meet the system demands.

Based upon current development plans provided by the Developer, the existing municipal water supply contract with the LCRA should be sufficient to allow the Master District to meet the predicted demands at full development of the Service Area for the municipal (or potable) uses. The MAQ is 3,463 acre-feet which is estimated to be sufficient to serve the ultimate projected development. The LCRA approved this new water supply contract on November 16, 2011.

The Master District allocated 2,364.5 LUEs of water service (2,136 commercial/residential and 228.5 irrigation) to the Participants (including the Master District) and its two wholesale customers for the 4.0 mgd water plant. The Master District is currently serving approximately 1,850 LUEs on its water system. The difference between the allocated LUEs and the number served is reflective of the near term development plans for developing districts and the actual meter count for existing connections. The Master District is charged with the responsibility to assure that adequate supply and treatment capacity is physically available to meet the system's demands as the number of LUEs continues to increase within the Participants. See "MASTER DISTRICT FACILITIES - Allocated Capacity."

The Master District has emergency interconnects with the City of Austin, Travis County Water Control and Improvement District No. 20 and West Travis County Public Utility Agency. These interconnects are available to provide potable water to the Master District and the Participants in the event of an emergency.

Wastewater Collections and Treatment

The Master District's current wastewater treatment facilities include wastewater treatment facilities sufficient to treat 500,000 gpd, various wastewater conveyance lines, and effluent ponds. Effluent from the Master District's wastewater treatment plant is discharged into the effluent ponds and ultimately irrigated onto the golf courses located within the Participants.

The Master District has been granted two wastewater treatment permits issued by the TCEQ. The original permit related to the existing wastewater treatment plant allows the Master District to treat up to 500,000 gallons per day ("gpd") of wastewater and allows the Master District to dispose of 720,000 gpd of wastewater effluent irrigated on golf courses. The additional volume for disposal was included in the original permit to accommodate the effluent received from Lost Creek MUD (located adjacent to the Master District) pursuant to an agreement between the Master District and Lost Creek MUD. The Master District's existing wastewater treatment plant operating under the original 500,000 gpd permit is capable of serving approximately 2,000 equivalent single family connections.

The Master District obtained a second wastewater treatment permit from the TCEQ allowing the Master District to treat an additional 600,000 gpd at a plant site situated in the southern portion of the development area. The Master District, through Stratus Properties, is beginning construction of the first phase of the south wastewater treatment facility. The first phase of construction includes a 101 acre-foot effluent storage pond which is currently under contract and a 100,000 gallon per day treatment plant. The treatment plant is planned to be a leased plant to expedite delivery and reduce the initial capital expense. The wastewater treatment plant is planned to be operational in the third quarter of 2015. When the final phase is completed, the second wastewater treatment plant is expected to be capable of serving an additional 2,400 equivalent single family connections, which will give the Master District a combined wastewater treatment capacity sufficient to serve 4,400.

Additional Master District wastewater facilities include three effluent storage ponds with a combined effluent storage capacity of 166 acre feet.

The Master District is currently serving approximately 1,580 wastewater equivalent single family connections.

In addition to providing wastewater treatment to customers located within the Participants, the Master District also is committed to providing wholesale wastewater service to WCID 19 (172 LUEs) and 77 acres of land outside the boundaries of any district (26 LUEs). See "ALLOCATED CAPACITY" and "Wholesale Service Agreements" below.

Regional Water Quality Facilities

In conjunction with the water quality protection plan adopted and effective within the Participants, the Master District operates eleven (11) water quality ponds. Water quality ponds capture certain runoff from development and trap sediment and petroleum products in the ponds. Thereafter, the sediment and petroleum products are removed from the ponds. The captured storm water is pumped from the ponds to irrigate the golf courses and other open areas within the Participants.

Additional water quality ponds will be constructed in conjunction with additional development within the Service Area. All water quality facilities are owned and operated by the Master District.

Regulation

Construction and operation of the Master District Facilities as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The Commission exercises continuing, supervisory authority over the Master District, in its capacity as the Master District and in its capacity as a provider of internal utility services. Disposal of treated wastewater effluent into Texas waters, if any, is also subject to the regulatory authority of the Commission and the United States Environmental Protection Agency. Construction of drainage facilities is subject to the regulatory jurisdiction of Travis County.

Internal Water Distribution, Wastewater Collection and Drainage Facilities

Internal water distribution, wastewater collection and storm drainage facilities have been constructed or are being constructed by the Participants to serve development within their boundaries. In particular, such internal facilities have been constructed to serve a portion of Travis County MUD No. 3, MUD No. 4, a portion of MUD No. 5, MUD No. 6, a portion of MUD No. 8 and plans are currently underway to serve additional development within their boundaries. See "PARTICIPANTS IN CURRENT SERVICE AREA" and "THE DEVELOPER."

100-Year Flood Plain

According to the Engineer, the flood hazard boundary map currently in effect, published by the Federal Emergency Management Agency (dated September 26, 2008), which covers the land located in the Service Area, indicates that approximately 296 acres of land located in the Service Area (TCMUDs 3-9) are located within the 100-year flood plain.

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Allocated Capacity

Each Participant has reserved capacity in the Master District Facilities and has the right to reserve additional capacity. The water supply and wastewater treatment capacity reserved to each Participant, expressed in equivalent single-family connections for fiscal year 2015 are shown on the following table.

PARTICIPANTS	Allocated Capacity (Equivalent Single Family Connections)			Active (Equivalent Single Family Connections)
	Water	Sewer	Irrigation	
Travis County Municipal Utility District No. 3	1,027	967	-	534
Travis County Municipal Utility District No. 4 ^(a)	864	598	152.5	79
Travis County Municipal Utility District No. 5	136	162	76.0	90
Travis County Municipal Utility District No. 6	65	54	-	65
Travis County Municipal Utility District No. 7	9	21	-	-
Travis County Municipal Utility District No. 8	34	99	-	25
Travis County Municipal Utility District No. 9	1	99	-	2
Total	2,136	2,000	228.5	795

(a) Includes Barton Creek Resort, WCID 19 (227 equivalent single family connections for water service and 172 equivalent single family connections for sewer service) and BCWSC (212 equivalent single family connections related to water service only).

Wholesale Service Agreements

WCID 19 - The Master District has agreed to provide wholesale water and wastewater service to the property located within the boundaries of WCID 19. See "PARTICIPANTS IN CURRENT SERVICE AREA - Service Area." Rates charged by the Master District to WCID 19 include only costs for operation and maintenance and necessary replacement of original facilities directly serving WCID 19. WCID 19's share of the costs for the Master District Facilities for water was paid by a lump sum payment to Stratus Properties on June 30, 1997, which financed such facilities. WCID 19's share of the Master District Facilities for wastewater is being paid through a special \$17.50 per month per connection surcharge to be paid to the Master District for thirty (30) years which in turn is paid to Stratus Properties monthly. The Master District has agreed to provide adequate water supply for 227 LUEs plus any expansion to St. Michael's Academy, a private secondary school located within WCID 19's boundaries. Under an amendment to the agreement, WCID 19 pays monthly charges calculated annually to cover its share of such costs. For 2013-2014, WCID 19 pays \$3,781 per month plus \$1.71 per 1,000 gallons of water for the first 165,000,000 gallons of water, including water loss, for each calendar year and \$2.77 per 1,000 gallons of water over and above 165,000,000 gallons of water per calendar year. The Master District has agreed to provide centralized wastewater service to those subdivisions within WCID 19 that have centralized sanitary sewer facilities, which currently represent 172 LUEs.

BCWSC - The Master District provides wholesale water service to BCWSC pursuant to that certain Agreement for Deannexation, Provision of Water Service and Construction of Water Facilities. See "PARTICIPANTS IN CURRENT SERVICE AREA - Service Area." BCWSC provides retail service to approximately 212 single-family homes. The Master District is obligated to provide up to 100,000,000 gallons of potable water per year. The parties have further agreed that BCWSC's share of the capital costs is limited to the sum of \$600,000 which shall be amortized over 30 years, without interest, and shall be included in the rates paid by BCWSC to the Master District. Under an amendment to the agreement, BCWSC pays the Master District the wholesale water rate calculated annually to cover its share of such costs. For 2014-2015 BCWSC will receive a credit of \$1,435 per month for overpayments from the prior year and will pay \$1.68 per 1,000 gallons of water for the first 100,000,000 gallons of water per year and \$2.74 per 1,000 gallons over and above 100,000,000.

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Operations – Table 1

The following statement sets forth in condensed form the historical results of operation of the water, wastewater and water quality facilities which constitute a part of the Master District Facilities. Operation and maintenance of the Master District Facilities is the responsibility of the Master District pursuant to the Master District Contract. The summary of operations has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the audited financial statements of the Master District. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2014 ^(a)	9/30/2013 ^(a)	9/30/2012 ^(a)	9/30/2011 ^(a)	9/30/2010 ^(a)
Revenues					
Water, wastewater and water quality fees, including penalties	\$ 2,867,363	\$ 3,564,085	\$ 3,661,070	\$ 3,900,084	\$ 2,659,141
Tap connection fees	173,500	106,850	53,500	12,500	18,200
Contracted Master District Services	(123,069)	(109,123)	59,399	-	(406,374)
Tax Revenue, including penalties	229,018	203,160	177,680	187,690	210,295
Interest	1,092	1,828	4,659	4,378	5,089
Miscellaneous	21,600	22,982	7,200	2,381	5,812
Total Operating Revenues	\$ 3,169,504	\$ 3,789,782	\$ 3,963,508	\$ 4,107,033	\$ 2,492,163
Expenditures					
Water Purchases	\$ 478,516	\$ 543,036	\$ 573,809	\$ 492,097	\$ 302,746
Repairs and maintenance	504,519	312,406	378,018	473,219	570,387
Utilities and Telephone	566,451	605,998	571,001	580,745	468,680
Permit Fees	6,062	2,670	2,670	2,785	2,045
Water Quality Monitoring	25,000	25,000	25,000	25,000	25,000
Sludge Hauling	60,607	94,839	102,003	111,092	107,784
Chemical and Lab Fees	91,545	80,600	84,672	64,129	77,964
Security Services	16,584	16,584	16,584	16,584	16,584
Landscape Services	116,747	82,132	75,934	107,986	201,894
Legal Fees	53,959	76,408	43,547	44,557	52,016
Engineering Fees	199,085	177,204	166,550	332,440	366,395
Operations and Management	245,683	232,507	218,173	213,003	215,249
Audit Fees	17,750	17,500	17,500	17,500	17,500
Bookkeeping Fees	78,000	78,000	78,000	78,000	78,000
Tax Appraisal/Collection Fees	1,441	1,297	1,202	1,221	1,287
Other Consulting Fees	16,446	23,194	16,133	23,359	25,228
Director Fees	8,720	9,204	8,881	9,043	10,496
Insurance	30,548	27,129	24,457	22,110	18,917
Miscellaneous	13,889	21,686	10,330	993	1,062
Capital Outlay	160,112	2,442,230	396,797	1,036,950	366,089
Total Operating Expenditures	\$ 2,691,664	\$ 4,869,624	\$ 2,811,261	\$ 3,652,813	\$ 2,925,323
NET REVENUES / (DEFICIT)	\$ 477,840	\$ (1,079,842)	\$ 1,152,247	\$ 454,220	\$ (433,160)
Plus / (Less) Fund Transfers	(409,188)	572,658	(1,185,902)	(772,562)	753,602
Beginning Fund Balance	\$ 2,050,301	\$ 2,557,485	\$ 2,591,140	\$ 2,909,482	\$ 2,480,065
Adjustments	-	-	-	-	108,975
Ending Fund Balance	\$ 2,118,953	\$ 2,050,301	\$ 2,557,485	\$ 2,591,140	\$ 2,909,482

(a) Audited.

Rate and Fee Schedule - Table 2

Pursuant to the Master District Contract, the Master District also provides retail water, wastewater and drainage services to the Participants. The current retail water and wastewater rates of the Master District are set forth below. The following rates became effective September 6, 2011 but are subject to change from time to time.

Water (Monthly Billing)

Basic Charge (includes 2,000 gallons):

5/8" meter	\$ 20.00
3/4" meter	20.00
1" meter	27.50
1-1/2" meter	45.00
2" meter	67.50
3" meter	135.00
4" meter	225.00
6" meter	450.00
8" meter	675.00

Gallage Rate per 1,000:

0 – 2,000 gallons	Included in Base Fee
2,000 – 20,000	\$2.70
20,001 – 50,000	3.00
50,001 – 100,000	3.25
100,001 – 150,000	3.75
over 150,000	4.50

Wastewater (Monthly Billing)

Basic Charge (includes 2,000 gallons):

5/8" meter	\$ 27.50
3/4" meter	27.50
1" meter	68.75
1-1/2" meter	137.50
2" meter	220.00
3" meter	440.00
4" meter	687.50
6" meter	1,375.00

Gallage Rate per 1,000: \$2.21

Generally bills for wastewater service are computed on the basis of (i) the average amount of water used during the Winter Season based upon the average monthly readings for the preceding December, January and February or (ii) the current monthly water bill whichever is less.

Water Quality (Monthly Billing)

Basic Charge (per L.U.E.) \$18.00

Tap Fees

Water

<u>Meter Size</u>	<u>Tap Fee</u>
Up to 3/4"	\$ 1,500.00
1"	2,000.00
1-1/2"	5,500.00
2"	6,000.00
2-1/2"	7,500.00
3" or larger	Higher of \$8,000.00 or cost of meter & installation

Wastewater

<u>Meter Size</u>	<u>Tap Fee</u>
5/8" or 3/4"	\$ 1,500.00
larger than 3/4"	to be determined based upon installation cost plus 10%

DEBT SERVICE REQUIREMENTS – TABLE 3

Travis County Municipal Utility District No. 4
\$5,775,000
Unlimited Contract Tax Bonds, Series 2015A
Dated Date: May 1, 2015
First Interest Payment Due: September 1, 2015

Year	Outstanding Bonds				The Bonds				Total	
Ending	Principal	Interest		Total	Principal	Interest		Total	Principal	Debt Service
31-Dec	Due (09/01)	Due (03/01)	Due (09/01)		(Due 9/01)	(Due 3/01)	(Due 9/01)		and Interest	Requirements
2015	\$ 1,510,000	\$ 857,368	\$ 903,618	\$ 3,270,986	\$ 5,000	\$ -	\$ 68,304	\$ 68,304	\$ 73,304	\$ 3,344,290
2016	1,525,000	873,238	873,238	3,271,475	5,000	102,406	102,406	204,813	209,813	3,481,288
2017	1,560,000	850,681	850,681	3,261,363	5,000	102,356	102,356	204,713	209,713	3,471,075
2018	1,630,000	828,775	828,775	3,287,550	5,000	102,306	102,306	204,613	209,613	3,497,163
2019	1,675,000	804,981	804,981	3,284,963	5,000	102,256	102,256	204,513	209,513	3,494,475
2020	1,735,000	779,394	779,394	3,293,788	25,000	102,206	102,206	204,413	229,413	3,523,200
2021	1,595,000	752,913	752,913	3,100,825	25,000	101,956	101,956	203,913	228,913	3,329,738
2022	1,690,000	727,616	727,616	3,145,231	25,000	101,706	101,706	203,413	228,413	3,373,644
2023	1,700,000	701,572	701,572	3,103,144	25,000	101,425	101,425	202,850	227,850	3,330,994
2024	1,755,000	673,951	673,951	3,102,901	50,000	101,113	101,113	202,225	252,225	3,355,126
2025	1,815,000	644,948	644,948	3,104,896	50,000	100,363	100,363	200,725	250,725	3,355,621
2026	1,880,000	612,267	612,267	3,104,534	50,000	99,613	99,613	199,225	249,225	3,353,759
2027	1,955,000	578,397	578,397	3,111,794	50,000	98,863	98,863	197,725	247,725	3,359,519
2028	2,800,000	543,353	543,353	3,886,706	5,000	98,113	98,113	196,225	201,225	4,087,931
2029	2,975,000	499,422	499,422	3,973,844	5,000	98,031	98,031	196,063	201,063	4,174,906
2030	2,685,000	452,672	452,672	3,590,344	50,000	97,950	97,950	195,900	245,900	3,836,244
2031	2,390,000	409,863	409,863	3,209,725	50,000	97,138	97,138	194,275	244,275	3,454,000
2032	2,470,000	369,475	369,475	3,208,950	50,000	96,325	96,325	192,650	242,650	3,451,600
2033	2,635,000	321,938	321,938	3,278,875	50,000	95,513	95,513	191,025	241,025	3,519,900
2034	2,790,000	264,813	264,813	3,319,625	100,000	94,700	94,700	189,400	289,400	3,609,025
2035	2,925,000	198,550	198,550	3,322,100	100,000	92,950	92,950	185,900	285,900	3,608,000
2036	2,655,000	129,081	129,081	2,913,163	100,000	91,200	91,200	182,400	282,400	3,195,563
2037	2,780,000	66,025	66,025	2,912,050	100,000	89,450	89,450	178,900	278,900	3,190,950
2038	-	-	-	-	2,400,000	87,700	87,700	175,400	2,575,400	2,575,400
2039	-	-	-	-	2,440,000	42,700	42,700	85,400	2,525,400	2,525,400
	<u>\$49,130,000</u>	<u>\$ 12,941,289</u>	<u>\$ 12,987,540</u>	<u>\$ 75,058,829</u>	<u>\$ 5,775,000</u>	<u>\$ 2,298,338</u>	<u>\$ 2,366,642</u>	<u>\$ 4,664,979</u>	<u>\$ 10,439,979</u>	<u>\$ 85,498,808</u>

COMPOSITE FINANCIAL STATEMENT – TABLE 4

Assessed Valuations of the Participants:

Participants Travis County MUD No.	Estimated Assessed Valuation as of January 1, 2015	% of Total	2014 Certified Assessed Valuation	% of Total	2013 Certified Assessed Valuation	% of Total
3	\$ 592,830,086	56.61%	\$ 570,028,929	57.60%	\$ 537,525,303	59.17%
4	73,905,166	7.06%	72,567,178	7.33%	65,432,269	7.20%
5	136,007,936	12.99%	110,173,272	11.13%	83,544,109	9.20%
6	163,322,889	15.60%	161,905,121	16.36%	152,776,344	16.82%
7	3,300,944	0.32%	1,696,567	0.17%	1,694,479	0.19%
8	74,377,106	7.10%	69,738,163	7.05%	63,985,248	7.04%
9	3,512,444	0.34%	3,512,444	0.35%	3,418,902	0.38%
	<u>\$ 1,047,256,571</u>	<u>100.00%</u>	<u>\$ 989,621,674</u>	<u>100.00%</u>	<u>\$ 908,376,654</u>	<u>100.00%</u>

Contract Tax Bonds

Outstanding

Unlimited Contract Tax Bonds (after issuance of the Bonds)	\$54,905,000
GROSS CONTRACT DEBT	<u>\$54,905,000</u> ^(a)
Ratio of Gross Contract Debt to 2014 Certified Assessed Valuation	5.55%
Ratio of Gross Contract Debt to Estimated Assessed Valuation as of January 1, 2015	5.24%

Master District Funds Available as of March 3, 2015 ^(b):

Debt Service Fund	\$2,779,783 ^(c)
Debt Service Reserve Fund	1,656,107 ^(d)
Special Revenue Fund	2,094,689
Capital Projects Fund	220,712

(a) See "Appendix A – Certain Financial Information Regarding the Participants" for other outstanding debt of the Participants.

(b) Unaudited.

(c) Neither the Bond Resolution nor Texas law requires that the Master District maintain any particular sum in the Debt Service Fund; however, pursuant to the Bond Resolution and the Trust Indenture, a Reserve Fund equivalent to six months' debt service requirement on the Bonds and Outstanding Contract Bonds has been established as security for the Bonds and Outstanding Contract Bonds. Pursuant to the Bond Resolution and the Trust Indenture, a determination is made with respect to amount, if any, of additional deposits to the Reserve Fund upon the issuance of additional contract tax bonds. No assurances can be made that additional monies will be deposited upon the issuance of additional contract tax bonds.

(d) A Reserve Fund currently established in a fixed amount generally equivalent to six months debt service requirements on the Bonds and Outstanding Contract Bonds has been established as security for the owners of such bonds. Pursuant to the Trust Indenture, the Master District may adjust the amount required to be on deposit in the Reserve Fund each time it issues additional contract bonds. At the discretion of the Master District, the issuance of such additional contract bonds may result in the amount required to be on deposit in the Reserve Fund being less than six months debt service requirements on the Outstanding Contract Bonds. No assurance can be made that additional monies will be deposited to the Reserve Fund or that the amount required to be on deposit in the Reserve Fund will be maintained at any particular amount upon the issuance of additional contract bonds.

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Outstanding Contract Tax Bonds

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after Issuance of the Bonds
A. New Money Bonds				
5/1/1997	Water Facilities	1997	\$ 4,350,000	\$ -
4/1/1999	Water Facilities	1999	2,590,000	-
6/1/2000	Water Facilities	2000	3,850,000	-
10/1/2001	Water Facilities	2001	4,525,000	-
8/1/2002	Water and Wastewater	2002	4,700,000	-
7/1/2003	Water and Wastewater	2003A	5,000,000	-
11/1/2005	Water and Wastewater	2005	5,575,000	-
3/1/2007	Water and Wastewater	2007	5,750,000	180,000
3/1/2008	Water and Wastewater	2008	7,125,000	275,000
3/1/2009	Water and Wastewater	2009	3,510,000	15,000
12/1/2009	Water and Wastewater	2009A	5,625,000	10,000
11/1/2010	Water and Wastewater	2010A	5,435,000	5,435,000
5/1/2015	Water and Wastewater	2015A	5,775,000	5,775,000 ^(a)
Subtotal New Money Bonds			\$ 63,810,000	\$ 11,690,000
B. Refunding Bonds				
2/1/2003	Refunding	2003	\$ 8,360,000	\$ -
5/1/2010	Refunding	2010	9,655,000	9,655,000
12/1/2011	Refunding	2011	6,795,000	5,695,000
6/1/2012	Refunding	2012	9,285,000	9,080,000
3/1/2013	Refunding	2013	9,900,000	9,755,000
12/1/2014	Refunding	2014	6,130,000	6,130,000
3/1/2015	Refunding	2015	2,900,000	2,900,000
Subtotal Refunding Bonds			\$ 53,025,000	\$ 43,215,000
Total			<u>\$ 116,835,000</u>	<u>\$ 54,905,000</u>

(a) The Bonds.

Investment Authority and Investment Practices of the Master District

Under Texas law, the Master 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 Master 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 a combination of cash and obligations described in clause (1), which are pledged to the Master District, held in the Master District's name and deposited at the time the investment is made with the Master District or with a third party selected and approved by the Master 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, a primary government securities dealer 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 the 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 Master 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 Master District, held in the Master District's name and deposited at the time the investment is made with the Master District or a third party designated by the Master 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 Master 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 Master 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 Master District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Master District must do so by order, ordinance, or resolution.

The Master 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 Master 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 Master 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 Master District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the Master 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 Master 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 Master District to disclose the relationship and file a statement with the Texas Ethics Commission and the Master District, (3) require the registered principal of firms seeking to sell securities to the Master District to: (a) receive and review the Master 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 Master 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 Master 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

As of March 3, 2015, the Master District is currently invested in Money Market, TexPool and Certificates of Deposit as shown below. State law requires the Master District to mark any 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 Master District's audited financial statements.

Investment Value as of March 3, 2015	
Cash	\$ 310,353
Money Market	4,215,581
Texpool	1,980,357
Certificates of Deposit	245,000
Total Investments	\$ 6,751,291

TAX DATA

Classification of Assessed Valuation within the Service Area (a) – Table 5

Type Property	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 757,568,968	76.41%	\$ 621,907,068	74.81%	\$ 638,870,628	75.55%
Multifamily Residence	38,020,000	3.83%	25,152,766	3.03%	29,100,000	3.44%
Vacant Lot	53,313,686	5.38%	33,978,843	4.09%	34,383,577	4.07%
Qualified Ag Land	1,657,200	0.17%	1,657,200	0.20%	1,657,200	0.20%
Non-qualified Ag Land	9,107,627	0.92%	7,529,200	0.91%	7,530,200	0.89%
Commercial Real Property	132,181,769	13.33%	113,310,910	13.63%	113,901,111	13.47%
Telephone Company	438,096	0.04%	370,076	0.04%	418,154	0.05%
Commercial Personal Property	11,227,502	1.13%	9,626,685	1.16%	8,934,652	1.06%
Residential Inventory	12,766,861	1.29%	32,752,003	3.94%	22,717,901	2.69%
Totally Exempt Property	3,727,584	0.38%	2,294,086	0.28%	3,632,325	0.43%
Less: Adjustments	(28,532,168)	-2.88%	(17,289,763)	-2.08%	(15,510,299)	-1.83%
Total Assessed Valuation	\$ 991,477,125	100.00%	\$ 831,289,074	100.00%	\$ 845,635,449	100.00%

- (a) Reflects classification of assessed valuation as obtained from the Master District audits prior to adjustments. Such value may differ from the original certified assessed valuation, and any supplements or adjustments thereto, as supplied by Travis Central Appraisal District.

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2014 Tax Rate Summary

Travis County MUD:	No. 3	No. 4	No. 5	No. 6	No. 7	No. 8	No. 9
Debt Service	\$ 0.1216	\$ 0.1817	\$ 0.2379	\$ 0.0800	\$ -	\$ 0.2174	\$ -
Maintenance & Operation	0.0125	0.1979	0.1814	0.0300	0.5589	0.1539	0.5256
Contract	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.4841	\$ 0.7296	\$ 0.7693	\$ 0.4600	\$ 0.9089	\$ 0.7213	\$ 0.8756

Tax Collections – Table 6

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the Master District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from Master District audits and records. Reference is made to such audits and records for further and more complete information.

Tax Year	Service Area	Assessed Valuation	Tax Rate	Contract Tax Levy	Current Collections	Total Collections	Year Ending
					Amount	%	
1996	(a)	\$ 48,984,233	\$ 0.6417 (b)	\$ 248,553	\$ 248,553	100.00%	9/30/1997
1997		54,212,436	0.8638	483,802	483,618	99.96%	9/30/1998
1998		89,059,369	0.5589 (c)	403,702	403,465	99.94%	9/30/1999
1999		160,633,587	0.5589 (d)	594,457	570,086	95.90%	9/30/2000
2000		249,461,050	(e)	1,754,083	1,686,583	96.15%	9/30/2001
2001		354,659,842	(f)	1,170,896	1,163,253	99.35%	9/30/2002
2002		426,909,150	(g)	1,504,690	1,433,798	95.29%	9/30/2003
2003		428,972,518	(h)	1,532,753	1,516,929	98.97%	9/30/2004
2004		464,582,720	(h)	1,774,500	1,753,126	98.80%	9/30/2005
2005		494,128,870	(i)	1,733,618	1,739,599	100.35%	9/30/2006
2006		593,668,701	(j)	2,080,593	2,077,220	99.84%	9/30/2007
2007		737,389,478	(k)	2,591,216	2,580,682	99.59%	9/30/2008
2008		872,591,762	(k)	3,029,665	3,007,831	99.28%	9/30/2009
2009		909,978,888	0.3500	3,153,548	3,127,817	99.18%	9/30/2010
2010		835,332,300	0.3500	2,923,830	2,899,093	99.15%	9/30/2011
2011		830,691,192	0.3500	2,908,024	2,881,539	99.09%	9/30/2012
2012		850,794,416	0.3500	2,977,056	2,962,510	99.51%	9/30/2013
2013		908,376,654	0.3500	3,179,818	3,175,931	99.88%	9/30/2014
2014		989,621,674	0.3500	3,463,676	2,993,696	86.43%	9/30/2015 (l)

(a) Initial year of Contract Tax levy.

(b) Travis County Municipal Utility District No. 4 levied a contract tax of \$0.3817, and the remaining Participants levied a contract tax of \$0.6417.

(c) Travis County Municipal Utility District No. 3 levied a contract tax of \$0.3789, and the remaining Participants levied a contract tax of \$0.5589.

(d) Travis County Municipal Utility District No. 3 levied a contract tax of \$0.3024 and the remaining Participants levied a contract tax of \$0.5589.

(e) Travis County Municipal Utility District No. 3 levied a contract tax of \$0.2186, MUD No.4 levied a contract tax of \$0.3730, MUD No. 5 and No. 7 levied a contract tax of \$0.5589, MUD No. 6 levied a contract tax of \$0.6970, MUD No. 8 levied a contract tax of \$0.5433, and MUD No. 9 levied a contract tax of \$0.5791.

(f) Travis County Municipal Utility District No. 3 levied a contract tax of \$0.3300, MUD No.4 levied a contract tax of \$0.3300, MUD No. 5 levied a contract tax of \$0.4269, MUD No. 6 levied a contract tax of \$0.4600, MUD No. 7 levied a contract tax of \$0.4800, MUD No. 8 levied a contract tax of \$0.6128, and MUD No. 9 levied a contract tax of \$0.7800.

(g) Travis County Municipal Utility District Nos. 3, 4, 5, 6 and 8 levied a contract tax of \$0.3500, MUD No. 7 levied a contract tax of \$0.4800 and MUD No. 9 levied a contract tax of \$0.6000.

(h) Travis County Municipal Utility District Nos. 3, 4, 5, and 6 levied a contract tax of \$0.3500, MUD Nos. 7 and 8 levied a contract tax of \$0.4800 and MUD No. 9 levied a contract tax of \$0.6389.

(i) Travis County Municipal Utility District Nos. 3, 4, 5, and 6 levied a contract tax of \$0.3500, MUD Nos. 7, 8 and 9 levied a contract tax of \$0.4800.

(j) Travis County Municipal Utility District Nos. 3, 4, 5, 6, 7 and 8 levied a contract tax of \$0.3500, MUD No. 9 levied a contract tax of \$0.4800.

(k) Travis County Municipal Utility District Nos. 3, 4, 5, 6, 7 and 8 levied a contract tax of \$0.3500, MUD No. 9 levied a contract tax of \$0.4636.

(l) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Contract Tax

The Master District, in its capacity as the Master District, has the statutory authority and the authorization of each Participant's voters to issue unlimited contract tax bonds to purchase, construct, and improve Master District Facilities necessary to provide water, wastewater and drainage facilities, including water quality facilities, to the Participants. Each Participant's pro rata share of the debt service requirements on the Bonds shall be determined by dividing each Participant's certified appraised value by the total certified appraised value within the Service Area. The Master District Contract obligates each Participant to pay its pro rata share of debt service requirements on the Bonds from the proceeds of an annual unlimited contract tax. The debt service requirement shall include principal, interest and redemption requirements on the Bonds, paying agent/registrar fees, trustee fees, and all amounts necessary to establish and maintain funds established under a bond resolution or indenture. Pursuant to the Master District Contract each Participant is also authorized to levy a contract tax to pay for (i) operation and maintenance expenses of the Master District Facilities to the extent monthly charges are not available and (ii) expenses of the affected Participant in connection with the operation and retail billing and collecting of a Participant's internal water, wastewater and drainage facilities to the extent water, wastewater and drainage revenues from such internal facilities are insufficient. The contract tax levied by each Participant for the 2014 tax year to pay debt service on the Bonds and Outstanding Contract Bonds is \$0.35 per \$100 of total gross assessed valuation. Such contract tax may be increased to the extent necessary to pay a Participant's share of the operation and maintenance expenses of the Master District Facilities. See "INVESTMENT CONSIDERATIONS - Overlapping and Combined Tax Rates," and "APPENDIX A – Certain Financial Information Regarding the Participants."

Debt Service Tax

Each Participant, including the Master District, has the statutory authority to issue unlimited tax bonds for the purpose of providing internal water distribution, wastewater collection and storm drainage facilities to the land within its boundaries. Such bonds, if issued, will be payable from a continuing, annual ad valorem tax adequate to provide funds to pay the principal of and interest on such bonds. Such tax is in addition to the contract tax. See "APPENDIX A – Certain Financial Information Regarding the Participants" for information related to each Participant's historical tax data.

Maintenance Tax

The Board of Directors of each Participant has the statutory authority to levy and collect an annual ad valorem tax for maintenance purposes, including, but not limited to, funds for planning, constructing, maintaining, repairing and operating all necessary land, plants, works, facilities, improvements, appliances and equipment, if such maintenance tax is authorized by a vote of the Participant's electors. Such tax would be in addition to the contract tax and taxes levied for paying principal of and interest on any tax bonds which may be issued in the future by the Participant. At an election held on November 7, 1995, voters within each Participant authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation.

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Overlapping Taxes for 2014

Overlapping Entity	Travis County MUD No.						
	3	4	5	6	7	8	9
Travis County	\$ 0.456300	\$ 0.456300	\$ 0.456300	\$ 0.456300	\$ 0.456300	\$ 0.456300	\$ 0.456300
Austin Independent School District	1.222000	1.222000	1.222000	1.222000	1.222000	1.222000	1.222000
Travis County ESD No. 3	0.090800	0.090800	0.090800	0.090800	0.090800	0.090800	0.090800
Travis County Healthcare District	0.126400	0.126400	0.126400	0.126400	0.126400	0.126400	0.126400
Austin Community College District	0.094200	0.094200	0.094200	0.094200	0.094200	0.094200	0.094200
District Tax Rate	0.484100	0.729600	0.769300	0.460000	0.908900	0.721300	0.875600
Total Tax Rate	\$ 2.473800	\$ 2.719300	\$ 2.759000	\$ 2.449700	\$ 2.898600	\$ 2.711000	\$ 2.865300

Average 2014 Tax Bill for Districts with Single Family Development

	Travis County MUD No.						
	3	4	5	6	7	8	9
Average Single Family Home Value	\$ 987,257	\$ -	\$ 1,171,005	\$ 2,914,008	\$ -	\$ 2,176,618	\$ 1,177,893
Travis County	\$ 4,505	\$ -	\$ 5,343	\$ 13,297	\$ -	\$ 9,932	\$ 5,375
Austin Independent School District	12,064	-	14,310	35,609	-	26,598	14,394
Travis County ESD No. 3	896	-	1,063	2,646	-	1,976	1,070
Travis County Healthcare District	1,248	-	1,480	3,683	-	2,751	1,489
Austin Community College District	930	-	1,103	2,745	-	2,050	1,110
District Tax Bill	4,779	-	9,009	13,404	-	15,700	10,314
	\$ 24,423	\$ -	\$ 32,308	\$ 71,384	\$ -	\$ 59,008	\$ 33,750

Principal Taxpayers – Table 7

The following list of principal taxpayers and their assessed valuations within the Service Area have been obtained from Master District audits and is based on the 2014, 2013, and 2012 tax rolls of each Participant, which reflect ownership as of January 1 of each year shown. Such values may differ from the original certified assessed valuation and any supplements or adjustments thereto, as supplied by the Travis Central Appraisal District. See APPENDIX A for a list of principal taxpayers in each Participant.

Taxpayer	Type Property	2014	2013	2012
Barton Creek Senior Living	Retirement Center	\$ 61,770,657	\$ 61,770,657	\$ 62,978,585
Barton Creek Resort & Clubs Inc.	Country Club and Resort	58,327,014	42,300,402	43,761,386
Barton Creek Owner LP	Apartment Complex	38,020,000	34,260,000	29,100,000
Stratus Properties Operating	Acreage & Lots	29,168,510	33,524,995	38,277,998
Amarra Development LLC	Acreage & Lots	4,500,000	2,339,066	(a)
Owners Club at Barton Creek LP	Interval Owership Homes	7,727,187	7,822,685	7,954,700
Clubcorp International Inc.	Golf Course	5,303,814	5,303,814	5,315,854
Barton Creek Village LLC	Strip Center	5,495,091	4,848,359	4,731,796
Hagley Property Holdings	Land & Improvements	4,550,000	4,282,779	4,000,000
Giex Ltd.	Land & Improvements	1,854,000	1,777,097	1,829,338
Individual Homeowners	Land & Improvements	118,164,377	107,407,517	98,019,984
		\$ 334,880,650	\$ 305,637,371	\$ 295,969,641
Percent of Assessed Valuation		33.84%	33.65%	34.79%

(a) Not a principal taxpayer for respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in aggregate assessed valuation from the aggregate 2014 Certified Assessed Valuation of the Service Area and aggregate Estimated Assessed Valuation as of January 1, 2015 of the Service Area, and utilize tax rates adequate to service the Master District's total debt service requirements, on its contract tax bonds, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on Contract Tax Rates."

Average Requirement on the Outstanding Contract Bonds and the Bonds (2015 through 2039)	\$3,419,952
\$0.37 Tax Rate on the aggregate 2014 Certified Assessed Valuation of \$989,621,674 @ 95% collections produces	\$3,478,520
\$0.35 Tax Rate on the aggregate Estimated Assessed Valuation as of January 1, 2015 of \$1,047,256,571 @ 95% collections produces	\$3,482,128
Maximum Requirement on the Outstanding Contract Bonds and the Bonds (2029)	\$4,174,906
\$0.45 Tax Rate on the aggregate 2014 Certified Assessed Valuation of \$989,621,674 @ 95% collections produces	\$4,230,633
\$0.42 Tax Rate on the aggregate Estimated Assessed Valuation as of January 1, 2015 of \$1,047,256,571 @ 95% collections produces	\$4,178,554

TAXING PROCEDURES

Authority to Levy Taxes

The board of directors of each Participant is authorized to levy an annual ad valorem tax on all taxable property within its boundaries in an amount sufficient to pay the principal of and interest on the Bonds and Outstanding Contract Bonds, their pro rata share of debt service on any contract tax bonds and any additional bonds or obligations payable from taxes which the Master District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. Each Participant agrees in the Master District Contract 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 of directors of each Participant is also authorized to levy and collect an ad valorem tax for the operation and maintenance of its district and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – Contract Tax."

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation

General: Except for certain exemptions provided by State 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 Master District are subject to taxation by the Master 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: 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 \$500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into the state and forwarded out of state within 175 days thereafter are also exempt. Article VIII, Section 1-a of the Texas Constitution grants a \$3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the spouse of certain

children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. 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 partially exempt are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the Master District's voters may approve. The Master 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 Master District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the Master District.

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

Tax Abatement: Travis County and the Participants 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 Participants have 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, 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 and goods-in-transit are exempt from taxation by the Master District.

Valuation of Property for Taxation

Generally, property in the Service Area 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 each Participant 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.

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 Participant 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 Participant, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the Participant or an estimate of any new property or improvements within the Participant. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the Participant, it cannot be used for establishing a tax rate within the Participant until such time as the TCAD chooses formally to include such values on its appraisal roll.

Participant and Taxpayer Remedies

Under certain circumstances taxpayers and taxing units (such as the Participants), 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 Participant 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 Participants are 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 of directors of each Participant based upon the valuation of property within the Participant 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 Participant. 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 Master District have the right to petition for a rollback of the Master 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.

Rights In the Event Of Tax Delinquencies

Taxes levied by the Participants are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the Participants, having power to tax the property. The Participant's tax lien is on a parity with tax liens of such other taxing units. See "TAX DATA - 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 Participants 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 Participants 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 Participants 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 Limitations 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.

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 lien 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 property taxes when due and (iii) notwithstanding the failure of a person to challenge an appraisal in accordance with state law, such value shall be determined as of the period for which such tax is imposed.

To the extent that the FIRREA provisions are valid and applicable to any property in the Participants, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property owned by the FDIC in the Participants, and may prevent the collection of penalties and interest on such taxes.

MANAGEMENT

Board of Directors

The board of directors of Travis County Municipal Utility District No. 4 also serves in the role as the board of directors of the Master District. The board of directors, consisting of five directors, has control over and management supervision of all affairs of the Master District. Directors' terms are four years with elections held within the Master District on the first Tuesday after the first Monday in November in each even numbered year. All of the Directors own property in the Master District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Doug Connolly	President	11/08/16	17 Years
Bill Schneider	Vice President	11/16/18	16 ½ Years
H. Edward Padgett, Jr.	Treasurer	11/16/18	17 ½ Years
Wayne Basden	Secretary	11/08/16	9 Years
Daniel Dukes	Assistant Secretary/Treasurer	11/08/16	2 Years

MASTER DISTRICT CONSULTANTS

Tax Assessor/Collector

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

Operator

The Master District contracts with Crossroads Utility Services, Inc. ("Crossroads") to serve as operator of the Master District Facilities and operator of each Participant's internal facilities. Crossroads serves in a similar capacity for 33 other special districts in the Austin metropolitan area.

Bookkeeper

Bott & Douthitt, P.L.L.C. ("B&D"), Certified Public Accountants, is charged with the responsibility of providing bookkeeping services for the Master District. B&D serves in a similar capacity for 35 other special districts.

Engineer

The Master District's consulting engineer is Murfee Engineering Company (the "Engineer"). Such firm serves as consulting engineer to 19 other special districts.

Auditor

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

Financial Advisor

Public Finance Group LLC serves as the Master 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. Public Finance Group LLC also serves as financial advisor to each of the Participants.

Bond Counsel

The Master District has engaged McCall Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. McCall Parkhurst & Horton L.L.P. also serves as bond counsel to each of the Participants.

General Counsel

The Master District employs Armbrust & Brown, PLLC ("A&B") as general counsel. A&B also acts as general counsel to each of the Participants and serves as counsel to Stratus Properties. The fees of A&B related to the Bonds are contingent upon the sale and delivery of the Bonds.

ANNEXATION

The Master District and each of the other Participants lie wholly within the extraterritorial jurisdiction of the City of Austin. Under Texas law generally a district may be annexed by the city in whose extraterritorial jurisdiction the district is located. However, the act which created the Master District and the other Participants provides that a municipality may annex a Participant only after the installation of ninety percent (90%) of all works, improvements, facilities, plants, equipment and appliances necessary and adequate to (1) provide service to the proposed development within the Participant's boundaries, (2) accomplish the purposes for which the Participant was created, and (3) exercise the powers provided by the general law of the State and the Act; or the expiration of twenty (20) years from the date the district was confirmed, whichever occurs first.

Under Texas law, the City of Austin cannot annex territory within a district unless it annexes the entire district. At such time as it is permissible pursuant to law for a Participant to be annexed, and the City of Austin does annex, the City of Austin will assume the Participant's assets and obligations (including the Participant's pro rata share of the debt service on the Bonds) and dissolve the Participant. Annexation of territory by the City of Austin is a policy-making matter within the discretion of the Mayor and City Council of the City of Austin and therefore, the Master District makes no representation that the City of Austin will ever annex the Master District or any Participant and assume its debt.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the Master District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the Master District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the Master District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the Master District.

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

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the Master District, including information and representations contained in the Master District's federal tax certificate, and (b) covenants of the Master 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 Master 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 in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is conditioned on compliance by the Master 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 Master 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 Master District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM 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 "financial institution" allocable to tax-exempt obligation, 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 Master District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Master District has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the**

issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”

CONTINUING DISCLOSURE OF MASTER DISTRICT INFORMATION

In the Bond Resolution, the Master District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Master 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 Master District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The Master District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Master District of the general type included in this Official Statement under Tables 1 through 7 and in Appendices A and B. The Master District will update and provide this information within six months after the end of each fiscal year. The Master District will provide the updated information to the MSRB.

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

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

Notice of Certain Events

The Master 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 Master 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 Master District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the Master 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 Master 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 Master District).

The Master 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 Master District will also provide timely notice of any failure by the Master District to provide annual financial information in accordance with their agreement described above under “– Annual Reports.”

Availability of Information from MSRB

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

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

Limitations and Amendments

The Master District has agreed to update information and to provide notices of certain events only as described above. The Master 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 Master 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 Master 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 Master District to comply with its agreement.

This continuing disclosure agreement may be amended by the Master 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 Master District, but only if (1) 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 (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Resolution that authorizes such an amendment) of the Outstanding Contract Bonds consent to such amendment or (b) a person that is unaffiliated with the Master District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered and beneficial owners of the Bonds. The Master 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

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

Assured Guaranty Municipal Corp. insures certain bonds issued by the Master 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 24, 2014, the Master 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.

CONTINUING DISCLOSURE OF PARTICIPANT INFORMATION

Each Participant has executed a Continuing Disclosure Agreement with the Master District for the benefit of the holders and beneficial owners of the Bonds. Each Continuing Disclosure Agreement requires the respective Participant to annually provide certain information under such agreement for so long as it remains an obligated person with respect to the Bonds, within the meaning of the Rule 15c2-12. Under the Continuing Disclosure Agreement, each Participant will be obligated to provide certain financial information and operating data with respect to its financial and operating condition. This information will be available via the EMMA system at www.emma.msrb.org.

Annual Reports

Each Participant will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to each Participant to-wit: (i) annual audited financial statements of each Participant and (ii) the information contained in Appendix A hereto that relates to each respective Participant. Each Participant will update and provide this information within six months after the end of each fiscal year to the MSRB.

Each Participant may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available by the required time, each Participant will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with such accounting principles as each Participant may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

Each Participant will also provide timely notice of any failure by it to provide information, data or financial statements in accordance with its agreement. Each Participant will provide the notice described in this paragraph to the MSRB.

Availability of Information

Information agreed to be provided by any Participant upon request may be obtained by contacting the Participant c/o Armbrust & Brown, P.L.L.C., 100 Congress, Suite 1300, Austin, Texas 78701, Attention: Greg Krumme (telephone no. (512) 435-2300; facsimile no. (512) 435-2360). Information provided to the MSRB will be available via the EMMA system at www.emma.msrb.org. The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

Limitations and Amendments

The Participants have agreed to provide updated information and notices of certain events only as described above. The Participants have not agreed to provide other information that may be relevant or material to a complete presentation of the financial results of operations, condition, or prospects of the Participants or agreed to update any information that is provided, except as described above. The Participants make 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 Participants disclaim 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 holders of Bonds may seek a writ of mandamus to compel the Participants to comply with its agreement.

The Participants and the Master District may amend their continuing disclosure agreement 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 Participants, if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the Outstanding Contract Bonds consent or any person unaffiliated with the Master District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interest of the beneficial owners of the Bonds. The Participants and the Master District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of SEC Rule 15c2-12 or a court of final jurisdiction determines that such provisions are invalid, or in the Participants' discretion under any other circumstance, but in either case only if and to the extent that reserving the right to do so does not make unlawful the Initial Purchaser's purchase and sale of the Bonds in the offering described herein. If the Participants and the Master District amend their agreements, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the Participants have complied in all material respects with all continuing disclosure agreements made by them in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the "Financial Advisor"), which firm was employed in 2014 as Financial Advisor to the Master 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.

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OFFICIAL STATEMENT

Preparation

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 BARTON CREEK DEVELOPMENT" and "THE MASTER DISTRICT" and "PARTICIPANTS IN CURRENT SERVICE AREA" - Stratus Properties Operating Co. ("Stratus Properties"), Murfee Engineering Company ("Engineer"), Austin Independent School District, and various area commercial and retail establishments; "THE DEVELOPER" - Stratus Properties; "BARTON CREEK RESORT, LLC" - Barton Creek Resort, LLC; and "MASTER DISTRICT FACILITIES" - Engineer; "MASTER DISTRICT FACILITIES - Wholesale Service Agreements" - Armbrust & Brown, P.L.L.C.; "COMPOSITE FINANCIAL STATEMENT" - Travis Central Appraisal District; "TAX DATA" "MASTER DISTRICT FACILITIES - Operations" - Audits and Records of the Master District; "MANAGEMENT" - Master District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "SUMMARY OF CERTAIN DOCUMENTS," "TAXING PROCEDURES," "LEGAL MATTERS" (except the last two sentences of the second paragraph thereof), "TAX MATTERS," "CONTINUING DISCLOSURE OF MASTER DISTRICT INFORMATION" except under the subheading " - Compliance With Prior Undertakings" and "CONTINUING DISCLOSURE OF PARTICIPANT INFORMATION" except under the subheading " - Compliance with Prior Agreements" - McCall, Parkhurst & Horton L.L.P.

Consultants

In approving this Official Statement, the Master District has relied upon the following consultants in addition to the Financial Advisor.

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 section entitled "MASTER DISTRICT FACILITIES," has been provided by Murfee Engineering Company, and has been included in reliance upon the authority of said firm in the field of civil engineering.

Auditor: The Master District's financial statements for the fiscal year ended September 30, 2014 were prepared by McCall, Gibson, Swedlund, Barfoot P.L.L.C, Certified Public Accountants. See "Appendix B" for a copy of the Master District's September 30, 2014 audited financial statements.

Appraisal District: The information contained in this Official Statement relating to the certified assessed valuation of property in the Master 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.

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 Texas Law, the Master District must keep its fiscal records in accordance with generally accepted accounting principles, must 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 Master District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year. Copies of each audit report must also be filed in the office of the Master District. The Master District's fiscal records and audit reports are available for public inspection during regular business hours, and the Master District is required by law to provide a copy of the Master 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 Travis County Municipal Utility District No. 4 in their role as the Master District, as of the date shown on the first page hereof.

/s/ Doug Connolly

President, Board of Directors

Travis County Municipal Utility District No. 4

/s/ Wayne Basden

Secretary, Board of Directors

Travis County Municipal Utility District No. 4

PHOTOGRAPHS

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









APPENDIX A

Certain Financial Information Regarding the Participants

Selected information concerning the Participants is included in this Appendix in addition to certain general information concerning the Participants and their obligation under the Master District Contract. See "PARTICIPANTS IN CURRENT SERVICE AREA" and "SUMMARY OF CERTAIN DOCUMENTS - Master District Contract" therein. Each Participant is severally liable for its Pledged Contract Payments in an amount equal to its pro rata share of debt service requirements on the Bonds and Outstanding Contract Bonds. No Participant is liable for more than its share of such debt service. Consequently, the ability of the Master District to make timely payment of principal of and interest on the Bonds and Outstanding Contract Bonds would be impaired if any Participant became unable to make its Pledged Contract Payments in full when due, unless the year-end balance of the bond fund of the Master District exceeded the amount of such Participant's deficiency.

Certain Calculations

The information concerning the debt structure of the Participants makes reference to the principal amount of each Participant's pro rata share of debt service on the Bonds and Outstanding Contract Bonds, each Participant's outstanding unlimited tax bonds, if any, and certain annual tax rate calculations. In each case, this information has been computed as follows:

Contract Debt - The principal amount of each Participant's Master District Contract debt has been calculated for purposes of analysis by allocating the principal amount of the Bonds among the Participants in proportion to their assessed valuation. The assessed valuations are based on the 2014 Assessed Valuation of each Participant of the Service Area of \$989,621,674. A Participant's share of annual debt service requirements on the Bonds and outstanding Contract Bonds will be determined annually by reference to their relative certified assessed valuations as of January 1 established by the Travis Central Appraisal District.

Tax Rate Calculations - Tax rate calculations assume that each Participant's assessed valuation does not increase from its 2014 Assessed Valuation and Estimated Assessed Valuation as of January 1, 2015, that each Participant collects ninety-five percent (95%) of the taxes it levies, that it issues no additional bonds, and that the Master District does not issue any additional unlimited tax contract revenue bonds. Average annual debt service requirements for each Participant are calculated from 2015 through the final year of maturity for the unlimited tax bonds issued by the Participant. Master District Contract debt payments are calculated by averaging the payments to be made annually from 2015 through 2039 and assuming that each Participant's percentage share of the debt service on the Bonds and Outstanding Contract Bonds does not change.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 3

The chart below reflects the status of development (as of March 1, 2015):

		Net Acreage	Platted Lots			Completed Units			Under Construction		Vacant Lots	
Section			Other	Single Family	Detached Condo	Single Family	Detached Condo	Multi- Family	Single Family	Detached Condo	Single Family	Detached Condo
A. Developed with Utility Facilities												
3	The Woods II	79.91	-	73	-	67 ^(a)	-	-	1	-	5	-
3	The Fairways	24.42	-	-	49 ^(b)	-	49	-	-	-	-	-
3	North Rim	60.61	-	18	-	17	-	-	-	-	1	-
3	Sendera at Barton Creek	24.53	250 ^(c)	-	-	-	-	250	-	-	-	-
3	ABC Mid./ Woods III	66.06	-	71	-	71	-	-	-	-	-	-
3	The Pointe	73.42	-	-	65 ^(d)	-	63	-	-	2	-	-
3	Governor's Hill	31.39	- ^(e)	-	44	-	44	-	-	-	-	-
3	Gateway South	6.38	-	1	-	1	-	-	-	-	-	-
3	SWACS	31.35	- ^(f)	1	-	1	-	-	-	-	-	-
3	Section H-3	19.05	-	3	-	-	-	-	-	-	3	-
3	ABC West Ph. 1	149.16	- ^(g)	75	-	74	-	-	-	-	1	-
3	ABC West Ph. 2	120.24	-	47 ^(h)	-	43	-	-	2	-	2	-
3	Barton Creek Retail	8.00	3	-	-	-	-	-	-	-	-	-
3	Verano Drive	103.29	-	71	-	29 ⁽ⁱ⁾	-	-	22 ⁽ⁱ⁾	-	16	-
3	Querencia	27.84	168 ^(j)	-	-	-	-	168	-	-	-	-
		825.65	421	360	158	303	156	418	25	2	28	-
B. Remaining Undeveloped but Developable Acreage												
		-										
C. Undevelopable Acreage												
		28.37										
Total Acreage		854.02										

(a) Includes 4 homes built on two lots each.

(b) Platted as one lot, but developed as detached condominium units/patio homes with 49 units.

(c) The Villas, platted as one lot, is a multi-family development known as the Marquis Apartment complex with 250 total units with a living unit equivalency of 175.

(d) Platted as one lot, but developed as 65 detached condominium units/patio homes and one gatehouse.

(e) Platted as two lots, one of which is a single family residence and the other of which is currently being developed as 44 detached condominium units/patio homes.

(f) Developed by Southwest Austin Catholic School, a Texas nonprofit corporation, as a private school for grades K through 8. The school opened in September, 1999.

(g) ABC West is being developed in phases. Phase one includes 75 single family lots and 5 commercial/multifamily lots. The 5 commercial/multifamily lots have been developed with utility facilities. Includes one house built on two lots.

(h) Includes 41 single family lots and 6 estate lots.

(i) Includes one completed home on three lots, one completed home on two lots, and one home on two lots currently under construction.

(j) Senior living facility.

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Selected Financial Information

2014 Certified Assessed Valuation \$570,028,929^(a)
 Estimated Assessed Valuation as of January 1, 2015 \$592,830,086^(a)

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 3 ^(b)	\$ 6,980,000	\$ 740,335	\$ 877,850
Contract Unlimited Tax ^(c)	31,625,660	1,969,916	2,404,775
	\$ 38,605,660	\$ 2,710,251	\$ 3,282,625

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 3 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 3's pro rata share of the Bonds and Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation 6.77%

Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2015 6.51%

Fund Balances as of January 26, 2015

General Operating Fund	\$ 1,316,717
Special Revenue Fund	9,862
Debt Service Fund	1,206,772

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.14	\$ 0.37	\$ 0.51 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.16	\$ 0.45	\$ 0.61 /\$100 AV
Tax Rate required to pay Average Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.13	\$ 0.36	\$ 0.49 /\$100 AV
Tax Rate required to pay Maximum Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.16	\$ 0.43	\$ 0.59 /\$100 AV

Tax Rate Distribution

Tax Rate Distribution	2014	2013	2012	2011	2010
Debt Service	\$ 0.1216	\$ 0.1333	\$ 0.1430	\$ 0.1558	\$ 0.1490
Maintenance	0.0125	0.0167	0.0270	0.0142	0.0010
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.4841	\$ 0.5000	\$ 0.5200	\$ 0.5200	\$ 0.5000

Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Tax Year Ending
				Amount	Percent	Amount	Percent	
1998	\$ 52,249,950	\$ 0.9000	\$ 470,250	\$ 469,092	99.75%	\$ 469,092	99.75%	9/30/1999 ^(a)
1999	118,664,113	0.7409	879,182	879,181	100.00%	880,166	100.11%	9/30/2000 ^(a)
2000	176,448,284	0.6321	1,115,330	1,107,322	99.28%	1,107,322	99.28%	9/30/2001 ^(a)
2001	250,598,731	0.6241	1,563,987	1,546,261	98.87%	1,548,951	99.04%	9/30/2002 ^(a)
2002	28,598,916	0.6100	1,748,253	1,733,864	99.18%	1,749,231	100.06%	9/30/2003 ^(a)
2003	281,990,164	0.5950	1,677,841	1,659,140	98.89%	1,670,489	99.56%	9/30/2004 ^(a)
2004	292,492,429	0.5792	1,698,837	1,673,876	98.53%	1,678,604	98.81%	9/30/2005 ^(a)
2005	310,978,712	0.5692	1,795,715	1,792,823	99.84%	1,793,345	99.87%	9/30/2006 ^(a)
2006	371,053,170	0.5425	2,011,045	2,010,680	99.98%	2,015,289	100.21%	9/30/2007 ^(a)
2007	442,985,890	0.4950	2,317,703	2,309,251	99.64%	2,309,495	99.65%	9/30/2008 ^(a)
2008	506,662,831	0.4950	2,467,204	2,454,423	99.48%	2,464,906	99.91%	9/30/2009 ^(a)
2009	521,113,048	0.4950	2,578,689	2,566,096	99.51%	2,568,503	99.60%	9/30/2010 ^(a)
2010	482,258,086	0.5000	2,410,645	2,387,507	99.04%	2,393,332	99.28%	9/30/2011 ^(a)
2011	484,392,692	0.5200	2,516,613	2,488,258	98.87%	2,503,828	99.49%	9/30/2012 ^(a)
2012	507,558,298	0.5200	2,635,953	2,616,272	99.25%	2,640,599	100.18%	9/30/2013 ^(a)
2013	537,525,303	0.5000	2,687,938	2,685,258	99.90%	2,723,625	101.33%	9/30/2014 ^(a)
2014	570,028,929	0.4841	2,759,510	2,478,018	89.80%	2,478,472	89.82%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Barton Creek Senior Living	Land & Improvements	\$ 61,770,657	\$ 61,770,657	\$ 62,978,585
Barton Creek Owner LP	Apartments	38,020,000	34,260,000	29,100,000
Stratus Properties Operating Co	Acreage & Lots	-	7,458,907	10,272,489
Barton Creek Village LLC	Strip Center	5,495,091	4,848,359	4,731,796
Individual Homeowners	Land & Improvements	26,479,702	22,385,282	22,516,095
		\$ 131,765,450	\$ 130,723,205	\$ 129,598,965
Percent of Assessed Valuation		23.12%	24.32%	25.53%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Issued		
		Authorized	to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 27,000,000	\$ 11,110,000	\$ 15,890,000
11/7/1995	Refunding ^(a)	40,500,000 ^(a)	814,108	39,685,892

- (a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$40,500,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization. The District issued \$2,540,000 Unlimited Tax Refunding Bonds, Series 2003, which did not use any of the District's authorized refunding amount, \$3,115,000 Unlimited Tax Refunding Bonds, Series 2005, which used \$205,000 of the refunding bonds authorized, \$3,595,000 Unlimited Tax Refunding Bonds, Series 2011, which used \$208,659.75 of the refunding bonds authorized, \$2,050,000 Unlimited Tax Refunding Bonds, Series 2012, which used \$231,438.55 of the refunding bonds authorized, and \$2,690,000 Unlimited Tax Refunding Bonds, Series 2012A, which used \$169,010.15 of the refunding bonds authorized.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Gross Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.48%	3,099,878
Travis County ESD No. 3	3,340,858	3/1/2015	26.36%	880,796
Travis County Healthcare District	12,305,000	3/1/2015	0.53%	65,050
Austin Community College	81,895,659	3/1/2015	0.41%	332,629
Austin Independent School District	718,688,366	3/1/2015	0.80%	<u>5,730,697</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$10,109,049
Travis Co. MUD No. 3 (a)	\$ 38,605,660	5/1/2015	100.00%	<u>\$38,605,660</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				<u>\$48,714,709</u>
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				8.55%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of 1/1/15				8.22%

(a) Includes the direct debt of Travis County MUD No. 3 and Travis County MUD No. 3's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Travis County	Travis County
Travis County	\$0.456300	\$ 4,505
Travis County ESD No. 3	0.090800	896
Travis County Healthcare District	0.126400	1,248
Austin Community College	0.094200	930
Austin Independent School District	1.222000	12,064
Travis Co. MUD No. 3	<u>0.484100</u>	<u>4,779</u>
Total	<u>\$2.473800</u>	<u>\$ 24,423</u>

(b) Based upon the 2014 average single-family home value of \$987,257 as provided by TCAD.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

Status of Development

Development within Travis County Municipal Utility District No. 4 includes the Barton Creek Resort and Spa which is located on approximately 492 acres and consists of: a 51,000 square foot clubhouse, a restaurant, a 43,750 square foot conference center (including 47 meeting rooms), a 303 room hotel, two 18-hole golf courses, sports and tennis shops, 10 lighted tennis courts, volleyball courts, three swimming pools, a fitness center and spa and jogging trails. The Owners Club at Barton Creek L.P. is in the process of constructing the Owners Club units, comprised of 36 three-bedroom deeded club membership units. As of March 1, 2015, 28 units were complete and no additional units were under construction. Barton Creek Resort and Spa is a private club open to members and their guests. In addition, the conference center and hotel are available to the public.

Selected Financial Information

2014 Certified Assessed Valuation \$72,567,178^(a)
 Estimated Assessed Valuation as of January 1, 2015 \$73,905,166^(a)

Outstanding Debt

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 4 ^(b)	\$ 1,205,000	\$ 152,032	\$ 158,425
Contract Unlimited Tax ^(c)	4,026,085	250,779	306,138
	\$ 5,231,085	\$ 402,810	\$ 464,563

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 4 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 4's pro rata share of the Bonds and the Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation 7.21%
 Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2015 7.08%

Fund Balances as of January 6, 2015

General Operating Fund	\$ 1,177,777
Special Revenue Fund	8,949
Debt Service Fund	278,795

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.22	\$ 0.37	\$ 0.59 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.23	\$ 0.45	\$ 0.68 /\$100 AV
Tax Rate required to pay Average Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.22	\$ 0.36	\$ 0.58 /\$100 AV
Tax Rate required to pay Maximum Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.23	\$ 0.44	\$ 0.67 /\$100 AV

Tax Rate Distribution

Tax Rate Distribution	2014	2013	2012	2011	2010
Debt Service	\$ 0.1817	\$ 0.1896	\$ 0.2125	\$ 0.2332	\$ 0.2295
Maintenance	0.1979	0.1900	0.1671	0.1464	0.1501
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.7296	\$ 0.7296	\$ 0.7296	\$ 0.7296	\$ 0.7296

Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Tax Year Ending
				Amount	Percent	Amount	Percent	
1996	\$ 25,299,100	\$ 0.6417	\$ 162,344	\$ 162,344	100.00%	\$ 162,344	100.00%	9/30/1997 ^(a)
1997	21,305,009	0.9500	202,388	202,388	100.00%	202,388	100.00%	9/30/1998 ^(a)
1998	19,513,027	0.9500	185,374	185,374	100.00%	185,374	100.00%	9/30/1999 ^(a)
1999	20,513,355	0.8589	176,189	176,189	100.00%	176,189	100.00%	9/30/2000 ^(a)
2000	40,036,271	0.8589	343,872	342,335	99.55%	342,335	99.55%	9/30/2001 ^(a)
2001	46,126,538	0.8589	396,181	396,181	100.00%	396,181	100.00%	9/30/2002 ^(a)
2002	63,808,411	0.7500	478,446	478,446	100.00%	478,446	100.00%	9/30/2003 ^(a)
2003	60,912,460	0.7316	445,662	445,662	100.00%	445,662	100.00%	9/30/2004 ^(a)
2004	62,731,800	0.6796	426,326	426,326	100.00%	426,326	100.00%	9/30/2005 ^(a)
2005	61,586,178	0.7264	447,508	447,508	100.00%	447,508	100.00%	9/30/2006 ^(a)
2006	61,801,749	0.6927	428,100	428,100	100.00%	428,100	100.00%	9/30/2007 ^(a)
2007	66,027,686	0.6927	457,372	457,372	100.00%	457,372	100.00%	9/30/2008 ^(a)
2008	67,428,386	0.6715	452,781	452,781	100.00%	452,781	100.00%	9/30/2009 ^(a)
2009	60,084,210	0.7296	438,375	438,375	100.00%	438,375	100.00%	9/30/2010 ^(a)
2010	53,625,479	0.7296	391,251	391,251	100.00%	391,251	100.00%	9/30/2011 ^(a)
2011	52,813,202	0.7296	385,324	385,324	100.00%	385,324	100.00%	9/30/2012 ^(a)
2012	58,045,418	0.7296	423,498	423,498	100.00%	423,498	100.00%	9/30/2013 ^(a)
2013	65,432,269	0.7296	477,392	477,404	100.00%	477,404	100.00%	9/30/2014 ^(a)
2014	72,567,178	0.7296	529,450	528,752	99.87%	528,752	99.87%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Barton Creek Resort & Clubs Inc.	Country Club & Resort	\$ 58,327,014	\$ 42,300,402	\$ 43,761,386
Owners Club at Barton Creek LP	Interval Ownership Houses	7,727,187	7,822,685	7,954,700
Clubcorp International Inc.	Golf Course	5,303,814	5,303,814	5,315,854
Dallas MTA LP	Personal Property	57,142	85,879	125,799
De Lage Landen Operational	Personal Property	32,838	46,178	61,572
Stratus Properties	Acreage & Lots	55,738	55,738	55,738
AT&T Mobility LLC	Cellular	156,543	180,928	108,747
Fiber Tower Network Services	Cellular	-	-	10,985
TCF Equipment Finance	Personal Property	290,159	334,720	591,080
The Coca Cola Company	Personal Property	24,993	28,411	31,258
PNC Equipement Finance	Personal Property	534,948	510,962	-
		\$ 72,510,376	\$ 56,669,717	\$ 58,017,119
Percent of Assessed Valuation		99.92%	86.61%	99.95%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 8,850,000	\$ 1,935,000	\$ 6,915,000
11/7/1995	Refunding ^(a)	13,275,000	1,750,000	11,525,000

- (a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$13,275,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization. The District's Unlimited Tax Refunding Bonds, Series 2007 did not use any refunding authorization.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Gross Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.06%	394,628
Travis County ESD No. 3	3,340,858	3/1/2015	3.36%	112,129
Travis County Healthcare District	12,305,000	3/1/2015	0.07%	8,281
Austin Community College	81,895,659	3/1/2015	0.05%	42,345
Austin Independent School District	718,688,366	3/1/2015	0.10%	729,543
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 1,286,926
Travis Co. MUD No. 4 (a)	\$ 5,231,085	5/1/2015	100.00%	\$ 5,231,085
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 6,518,011
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				8.98%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of 1/1/15				8.82%

- (a) Includes the direct debt of Travis County MUD No. 4 and Travis County MUD No. 4's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per \$100 Assessed Valuation Travis County
Travis County	\$0.456300
Travis County ESD No. 3	0.090800
Travis County Healthcare District	0.126400
Austin Community College	0.094200
Austin Independent School District	1.222000
Travis Co. MUD No. 4	0.729600
Total	\$2.719300

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 5

Status of Development (as of March 1, 2015):

Section	Net Acreage	Platted Lots			Completed Units			Under Construction		Vacant Lots	
		Other	Single Family	Detached Condo	Single Family	Detached Condo	Multi- Family	Single Family	Detached Condo	Single Family	Detached Condo
A. Developed with Utility Facilities											
Calera Court	15.34	-	-	16	-	16	-	-	-	-	-
Golf Course	255.06	- (a)	-	-	-	-	-	-	-	-	-
Calera Drive	71.02	-	53	-	32	-	-	12	-	9	-
Amarra Drive, Ph 1	40.15	-	6	2	1	-	-	3	-	2	2
Amarra Drive, Ph 2	89.44	-	35	2	1	-	-	10	-	24	2
Amarra Drive, Ph 3A	63.89	-	25	-	8	-	-	1	-	16	-
Amarra Drive, Ph 3B	84.77	-	64 (b)	-	-	-	-	-	-	64	-
Amarra Commercial	21.00	- (c)	-	-	-	-	-	-	-	-	-
Block G	19.80	-	-	20 (d)	-	-	-	-	-	-	20
	660.47	-	183	40	42	16	-	26	-	115	24
B. Remaining Undeveloped but Developable Acreage											
N/A	-										
C. Undevelopable Acreage	26.33										
Total Acreage	686.80										

(a) Includes the Fazio Canyons Golf Course

(b) Utility facilities to serve Amarra Drive Phase 3B (platted as 64 single family lots) were completed in March 2015.

(c) Utility facilities to serve 21 acre commercial site were completed in March 2015.

(d) Stratus began construction of utility facilities to serve Block G in February 2015, to be developed as 20 detached condominium patio home lots, which are expected to be completed by August 2015.

Selected Financial Information

2014 Certified Assessed Valuation	\$110,173,272 ^(a)
Estimated Assessed Valuation as of January 1, 2015	\$136,007,936 ^(a)

Outstanding Debt

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 5 ^(b)	\$ 4,115,000	\$ 352,038	\$ 360,453
Contract Unlimited Tax ^(c)	6,112,501	380,739	464,787
	\$ 10,227,501	\$ 732,777	\$ 825,239

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 5 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 5's pro rata share of the Bonds and the Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation	9.28%
Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2015	7.52%

Fund Balances as of January 29, 2015

General Operating Fund	\$ 387,647
Special Revenue Fund	2,596
Debt Service Fund	296,594

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.34	\$ 0.37	\$ 0.71 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.34	\$ 0.45	\$ 0.79 /\$100 AV
Tax Rate required to pay Average Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.27	\$ 0.30	\$ 0.57 /\$100 AV
Tax Rate required to pay Maximum Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.28	\$ 0.37	\$ 0.65 /\$100 AV

Tax Rate Distribution

Tax Rate Distribution	2014	2013	2012	2011	2010
Debt Service	\$ 0.2379	\$ 0.3830	\$ 0.3719	\$ 0.4057	\$ 0.4054
Maintenance	0.1814	0.0790	0.0901	0.1014	0.1017
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.7693	\$ 0.8120	\$ 0.8120	\$ 0.8571	\$ 0.8571

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Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Tax Year Ending
				Amount	Percent	Amount	Percent	
1996	\$ 6,160,057	\$ 0.9500	\$ 58,521	\$ 58,521	100.00%	\$ 58,521	100.00%	9/30/1997 ^(a)
1997	6,406,083	0.9500	60,858	60,858	100.00%	60,858	100.00%	9/30/1998 ^(a)
1998	5,683,565	0.9500	53,994	53,994	100.00%	53,994	100.00%	9/30/1999 ^(a)
1999	7,686,413	0.9089	69,862	69,861	100.00%	69,861	100.00%	9/30/2000 ^(a)
2000	9,363,479	0.9089	85,105	85,105	100.00%	85,105	100.00%	9/30/2001 ^(a)
2001	9,470,460	0.9089	86,077	86,077	100.00%	86,077	100.00%	9/30/2002 ^(a)
2002	9,492,353	0.9089	86,276	86,276	100.00%	86,276	100.00%	9/30/2003 ^(a)
2003	10,198,337	0.9089	92,693	92,693	100.00%	92,693	100.00%	9/30/2004 ^(a)
2004	11,898,224	0.9089	108,143	108,143	100.00%	108,143	100.00%	9/30/2005 ^(a)
2005	11,519,189	0.9089	104,698	104,855	100.15%	104,855	100.15%	9/30/2006 ^(a)
2006	21,299,786	0.9089	193,594	193,594	100.00%	193,594	100.00%	9/30/2007 ^(a)
2007	45,118,337	0.9089	410,081	408,489	99.61%	408,489	99.61%	9/30/2008 ^(a)
2008	74,896,751	0.9089	686,214	651,798	94.98%	653,390	95.22%	9/30/2009 ^(a)
2009	89,559,653	0.8571	767,616	736,001	95.88%	759,090	98.89%	9/30/2010 ^(a)
2010	82,539,960	0.8571	707,450	689,760	97.50%	727,224	102.80%	9/30/2011 ^(a)
2011	80,447,159	0.8571	689,512	682,346	98.96%	700,036	101.53%	9/30/2012 ^(a)
2012	77,869,737	0.8120	632,303	632,303	100.00%	639,469	101.13%	9/30/2013 ^(a)
2013	83,544,109	0.8120	678,377	678,377	100.00%	678,377	100.00%	9/30/2014 ^(a)
2014	110,173,272	0.7693	847,563	625,265	73.77%	625,265	73.77%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Stratus Properties	Acreage & Lots	\$ 18,862,694	\$ 15,291,346	\$ 16,837,842
Barton Creek Resort & Clubs Inc.	Country Club & Resort	3,920,972	3,793,633	3,793,633
Giex Ltd.	Land & Improvements	1,854,000	1,777,097	1,829,338
Amarra Development LLC	Land & Improvements	4,500,000	2,339,066	-
Canyon Homes LLC	Land & Improvements	-	-	-
Individual Homeowners	Land & Improvements	11,850,473	10,261,833	11,742,568
		\$ 40,988,139	\$ 33,462,975	\$ 34,203,381
Percent of Assessed Valuation		34.60%	40.05%	43.92%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 13,250,000	\$ 4,725,000	\$ 8,525,000
11/7/1995	Refunding ^(a)	19,875,000	315,000	19,560,000

- (a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$19,875,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization. The District issued \$3,990,000 Unlimited Tax Refunding Bonds, Series 2012, which used \$315,000 of the refunding bonds authorized.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.09%	599,134
Travis County ESD No. 3	3,340,858	3/1/2015	5.10%	170,237
Travis County Healthcare District	12,305,000	3/1/2015	0.10%	12,573
Austin Community College	81,895,659	3/1/2015	0.08%	64,289
Austin Independent School District	718,688,366	3/1/2015	0.15%	<u>1,107,610</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 1,953,843
Travis Co. MUD No. 5 (a)	\$ 10,227,501	5/1/2015	100.00%	<u>\$10,227,501</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				<u>\$12,181,344</u>
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				11.06%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of 1/1/15				8.96%

(a) Includes the direct debt of Travis County MUD No. 5 and Travis County MUD No. 5's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation Travis County	Average Tax Bill ^(a) Travis County
Travis County	\$0.456300	\$ 5,343
Travis County ESD No. 3	0.090800	1,063
Travis County Healthcare District	0.126400	1,480
Austin Community College	0.094200	1,103
Austin Independent School District	1.222000	14,310
Travis Co. MUD No. 5	<u>0.769300</u>	<u>9,009</u>
Total	<u>\$2.759000</u>	<u>\$ 32,308</u>

(a) Based upon the 2014 average single-family home value of \$1,171,005 as provided by TCAD.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 6

Status of Development (as of March 1, 2015):

A. Developed with Utility Facilities

Section	Net Acreage	Platted Lots	Single Family Completed Homes	Homes Under Construction	Vacant Lots
Section J, Phase 1	27.28	11	11	-	-
Section J, Phase 2	<u>237.34</u>	<u>54</u> ^(a)	<u>40</u>	-	<u>5</u>
Total Developed with Utilities or Under Construction	264.62	65	51	-	5

B. Remaining Developable Acreage **0.00**

C. Undevelopable Acreage **7.01**

Total **271.63**

(a) Includes four homes built on two lots each, one home built on three lots and one home built on four lots.

Selected Financial Information

2014 Certified Assessed Valuation \$161,905,121^(a)
 Estimated Assessed Valuation as of January 1, 2015 \$163,322,889^(a)

Outstanding Debt

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 6 ^(b)	\$ 1,130,000	\$ 130,293	\$ 134,485
Contract Unlimited Tax ^(c)	<u>8,982,625</u>	<u>559,515</u>	<u>683,027</u>
	\$ 10,112,625	\$ 689,808	\$ 817,512

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 6 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 6's pro rata share of the Bonds and the Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation 6.25%
 Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2015 6.19%

Fund Balances as of January 26, 2015

General Operating Fund	\$ 368,745
Special Revenue Fund	2,245
Debt Service Fund	69,948

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.08	\$ 0.37	\$ 0.45 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.09	\$ 0.45	\$ 0.54 /\$100 AV
Tax Rate required to pay Average Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.08	\$ 0.37	\$ 0.45 /\$100 AV
Tax Rate required to pay Maximum Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.09	\$ 0.45	\$ 0.54 /\$100 AV

Tax Rate Distribution

<u>Tax Rate Distribution</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Debt Service	\$ 0.0800	\$ 0.0855	\$ 0.0915	\$ 0.0909	\$ 0.0900
Maintenance	0.0300	0.0355	0.0335	0.0341	0.0350
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.4600	\$ 0.4710	\$ 0.4750	\$ 0.4750	\$ 0.4750

Tax Collections

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Current Collections</u>		<u>Total Collections</u>		<u>Tax Year Ending</u>
				<u>Amount</u>	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	
1996	\$ 1,500,633	\$ 0.9500	\$ 14,256	\$ 14,256	100.00%	\$ 14,256	100.00%	9/30/1997 ^(a)
1997	1,470,336	0.9500	13,968	13,968	100.00%	13,968	100.00%	9/30/1998 ^(a)
1998	2,259,434	0.9500	21,465	21,465	100.00%	21,465	100.00%	9/30/1999 ^(a)
1999	3,583,880	0.9089	32,574	32,574	100.00%	32,574	100.00%	9/30/2000 ^(a)
2000	12,909,689	0.8870	114,509	108,396	94.66%	108,396	94.66%	9/30/2001 ^(a)
2001	34,049,342	0.8870	302,018	302,018	100.00%	302,018	100.00%	9/30/2002 ^(a)
2002	46,924,775	0.6500	305,011	291,067	95.43%	291,077	95.43%	9/30/2003 ^(a)
2003	58,379,736	0.6555	382,679	374,260	97.80%	374,260	97.80%	9/30/2004 ^(a)
2004	71,132,109	0.6316	449,270	438,533	97.61%	438,533	97.61%	9/30/2005 ^(a)
2005	79,309,637	0.5861	464,834	457,508	98.42%	467,607	100.60%	9/30/2006 ^(a)
2006	99,664,325	0.5182	516,460	511,835	99.10%	521,693	101.01%	9/30/2007 ^(a)
2007	128,213,257	0.4831	619,397	613,507	99.05%	617,859	99.75%	9/30/2008 ^(a)
2008	149,412,140	0.4531	675,308	675,308	100.00%	681,471	100.91%	9/30/2009 ^(a)
2009	156,625,859	0.4665	730,660	729,724	99.87%	729,724	99.87%	9/30/2010 ^(a)
2010	149,039,821	0.4750	707,767	705,981	99.75%	706,917	99.88%	9/30/2011 ^(a)
2011	147,445,861	0.4750	700,368	694,296	99.13%	696,082	99.39%	9/30/2012 ^(a)
2012	142,334,015	0.4750	676,086	674,303	99.74%	680,375	100.63%	9/30/2013 ^(a)
2013	152,776,344	0.4710	719,577	716,870	99.62%	716,870	99.62%	9/30/2014 ^(a)
2014	161,905,121	0.4600	744,764	608,183	81.66%	610,572	81.98%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Individual Homeowners	Land & Improvements	\$ 47,811,596	\$ 44,716,465	\$ 40,019,572
Hagley Property Holdings	Land & Improvements	<u>4,550,000</u>	<u>4,282,779</u>	<u>4,000,000</u>
		\$ 52,361,596	\$ 48,999,244	\$ 44,019,572
Percent of Assessed Valuation		32.34%	32.07%	30.93%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 12,850,000	\$ 1,710,000	\$ 11,140,000
11/7/1995	Refunding ^(a)	19,275,000	1,460,000	17,815,000

- (a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$19,275,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization. The District issued \$1,460,000 Unlimited Tax Refunding Bonds, Series 2007, which used \$50,000 of the refunding bonds authorized.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.14%	880,457
Travis County ESD No. 3	3,555,000	3/1/2015	7.49%	266,208
Travis County Healthcare District	16,000,000	3/1/2015	0.15%	24,024
Austin Community College	93,163,659	3/1/2015	0.12%	107,475
Austin Independent School District	819,414,630	3/1/2015	0.23%	<u>1,855,813</u>
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 3,133,977
Travis Co. MUD No. 6 (a)	\$ 10,112,625	5/1/2015	100.00%	<u>\$10,112,625</u>
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				<u>\$13,246,603</u>
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				8.18%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of 1/1/15				8.11%

- (a) Includes the direct debt of Travis County MUD No. 6 and Travis County MUD No. 6's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Travis County	Travis County
Travis County	\$0.456300	\$ 13,297
Travis County ESD No. 3	0.090800	2,646
Travis County Healthcare District	0.126400	3,683
Austin Community College	0.094200	2,745
Austin Independent School District	1.222000	35,609
Travis Co. MUD No. 6	<u>0.460000</u>	<u>13,404</u>
Total	<u>\$2.449700</u>	<u>\$ 71,384</u>

(a) Based upon the 2014 average single-family home value of \$2,914,008 as provided by TCAD.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 7

Status of Development (as of March 1, 2015):

Total Acreage 217.34

Total Acreage Developed with Utility Facilities 0.00*

* Approximately 186.22 acres are developable and 31.12 are undevelopable.

Selected Financial Information

2014 Certified Assessed Valuation \$1,696,567^(a)

Estimated Assessed Valuation as of January 1, 2015 \$3,300,944^(a)

Outstanding Debt

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 7 ^(b)	\$ -	\$ -	\$ -
Contract Unlimited Tax ^(c)	94,127	5,863	7,157
	\$ 94,127	\$ 5,863	\$ 7,157

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 7 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 7's pro rata share of the Bonds and the Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation 5.55%

Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2015 2.85%

Fund Balance as of December 31, 2014

General Operating Fund \$ 8,765

Special Revenue Fund 2,570

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ -	\$ 0.37	\$ 0.37 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ -	\$ 0.45	\$ 0.45 /\$100 AV
Tax Rate required to pay Average Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ -	\$ 0.19	\$ 0.19 /\$100 AV
Tax Rate required to pay Maximum Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ -	\$ 0.23	\$ 0.23 /\$100 AV

Tax Rate Distribution

Tax Rate Distribution	2014	2013	2012	2011	2010
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance	0.5589	0.5589	0.5589	0.5589	0.5589
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.9089	\$ 0.9089	\$ 0.9089	\$ 0.9089	\$ 0.9089

Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Tax Year Ending
				Amount	Percent	Amount	Percent	
1996	\$ 1,859,020	\$ 0.9500	\$ 17,661	\$ 17,661	100.00%	\$ 17,661	100.00%	9/30/1997 ^(a)
1997	1,859,150	0.9500	17,662	17,662	100.00%	17,662	100.00%	9/30/1998 ^(a)
1998	1,596,492	0.9500	15,167	15,167	100.00%	15,167	100.00%	9/30/1999 ^(a)
1999	1,597,952	0.9089	14,524	14,524	100.00%	14,524	100.00%	9/30/2000 ^(a)
2000	1,758,997	0.9089	15,988	15,988	100.00%	15,988	100.00%	9/30/2001 ^(a)
2001	1,802,209	0.9089	16,380	16,381	100.01%	16,381	100.01%	9/30/2002 ^(a)
2002	1,661,178	0.9089	15,098	15,098	100.00%	15,098	100.00%	9/30/2003 ^(a)
2003	1,661,052	0.9089	15,097	15,097	100.00%	15,097	100.00%	9/30/2004 ^(a)
2004	1,661,052	0.9089	15,097	15,097	100.00%	15,097	100.00%	9/30/2005 ^(a)
2005	1,660,960	0.9089	15,096	15,096	100.00%	15,096	100.00%	9/30/2006 ^(a)
2006	1,697,576	0.9089	15,429	15,429	100.00%	15,429	100.00%	9/30/2007 ^(a)
2007	1,696,941	0.9089	15,423	15,423	100.00%	15,423	100.00%	9/30/2008 ^(a)
2008	1,692,179	0.9089	15,380	15,380	100.00%	15,380	100.00%	9/30/2009 ^(a)
2009	1,690,455	0.9089	15,365	15,365	100.00%	15,365	100.00%	9/30/2010 ^(a)
2010	1,689,767	0.9089	15,357	15,357	100.00%	15,357	100.00%	9/30/2011 ^(a)
2011	1,687,265	0.9089	15,335	15,335	100.00%	15,335	100.00%	9/30/2012 ^(a)
2012	1,692,361	0.9089	15,382	15,382	100.00%	15,382	100.00%	9/30/2013 ^(a)
2013	1,694,479	0.9089	15,401	15,401	100.00%	15,401	100.00%	9/30/2014 ^(a)
2014	1,696,567	0.9089	15,420	15,412	99.95%	15,412	99.95%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Stratus Properties	Acreage & Lots	\$ 1,688,899	\$ 1,690,996	\$ 1,688,873
Southwestern Bell Telephone Co.	Telephone Company	7,668	3,483	3,488
		\$ 1,696,567	\$ 1,694,479	\$ 1,692,361
Percent of Assessed Valuation		100.00%	100.00%	100.00%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 10,200,000	\$ -	\$ 10,200,000
11/7/1995	Refunding ^(a)	15,300,000	-	15,300,000

(a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$15,300,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.00%	9,226
Travis County ESD No. 3	3,340,858	3/1/2015	0.08%	2,621
Travis County Healthcare District	12,305,000	3/1/2015	0.00%	194
Austin Community College	81,895,659	3/1/2015	0.00%	990
Austin Independent School District	718,688,366	3/1/2015	0.00%	17,056
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 30,087
Travis Co. MUD No. 7 (a)	\$ 94,127	5/1/2015	100.00%	\$ 94,127
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 124,214
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				7.32%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of 1/1/15				3.76%

(a) Travis County MUD No. 7's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per \$100 Assessed Valuation
	Travis County
Travis County	\$0.456300
Travis County ESD No. 3	0.090800
Travis County Healthcare District	0.126400
Austin Community College	0.094200
Austin Independent School District	1.222000
Travis Co. MUD No. 7	0.908900
Total	<u>\$2.898600</u>

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

Status of Development (as of March 1, 2015):

Section	Net Acreage	Platted Lots		Completed	Under Construction	Vacant Lots
		Multi- Family	Single Family	Single Family	Single Family	Single Family
A. Developed with Utility Facilities or Under Construction						
Mirador	186.00	-	34	23 ^(a)	1	6
Section N	<u>35.00</u>	<u>236</u> ^(b)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	221.00	236	34	23	1	6
B. Remaining Undeveloped but Developable Acreage						
	349.00					
C. Undevelopable Acreage						
	<u>138.30</u>					
Total Acreage	708.30					

(a) Includes two homes built on two lots each and the two owners own three lots each.

(b) A 236 unit apartment complex is currently under construction in Barton Creek Section N on approximately 35 acres. It is anticipated that the first two apartment buildings and club house will be completed by October 2015.

Selected Financial Information

2014 Certified Assessed Valuation \$69,738,163 ^(a)
 Estimated Assessed Valuation as of January 1, 2015 \$74,377,106 ^(a)

Outstanding Debt

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 8 ^(b)	\$ 2,025,000	\$ 173,646	\$ 195,200
Contract Unlimited Tax ^(c)	<u>3,869,129</u>	<u>241,002</u>	<u>294,204</u>
	\$ 5,894,129	\$ 414,648	\$ 489,404

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 8 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 8's pro rata share of the Bonds and the Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation 8.45%
 Ratio of Gross Debt to Estimated Assessed Valuation as of January 1, 2015 7.92%

Fund Balances as of January 28, 2015

General Operating Fund	\$ 975,841
Special Revenue Fund	4,700
Debt Service Fund	191,388
Capital Projects Fund	1,044,118

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.26	\$ 0.37	\$ 0.63 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ 0.29	\$ 0.45	\$ 0.74 /\$100 AV
Tax Rate required to pay Average Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.25	\$ 0.35	\$ 0.60 /\$100 AV
Tax Rate required to pay Maximum Requirement based on Estimated Assessed Valuation as of January 1, 2015 at 95% collection	\$ 0.28	\$ 0.42	\$ 0.70 /\$100 AV

Tax Rate Distribution

Tax Rate Distribution	2014	2013	2012	2011	2010
Debt Service	\$ 0.2174	\$ 0.2586	\$ 0.1090	\$ 0.1112	\$ 0.1069
Maintenance	0.1539	0.1127	0.2623	0.2601	0.2644
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.7213	\$ 0.7213	\$ 0.7213	\$ 0.7213	\$ 0.7213

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Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Tax Year Ending
				Amount	Percent	Amount	Percent	
1996	\$ 5,164,951	\$ 0.9500	\$ 49,067	\$ 49,067	100.00%	\$ 49,067	100.00%	9/30/1997 ^(a)
1997	5,283,942	0.9500	50,197	50,198	100.00%	50,198	100.00%	9/30/1998 ^(a)
1998	5,572,170	0.9500	52,936	52,936	100.00%	52,936	100.00%	9/30/1999 ^(a)
1999	5,678,075	0.9089	51,608	51,608	100.00%	51,608	100.00%	9/30/2000 ^(a)
2000	6,347,702	0.9089	57,694	54,804	94.99%	54,804	94.99%	9/30/2001 ^(a)
2001	9,249,904	0.9089	84,072	84,073	100.00%	84,073	100.00%	9/30/2002 ^(a)
2002	15,084,332	0.9089	137,101	134,077	97.79%	134,077	97.79%	9/30/2003 ^(a)
2003	16,328,350	0.9089	148,394	148,394	100.00%	148,394	100.00%	9/30/2004 ^(a)
2004	19,355,022	0.9089	175,918	170,869	97.13%	170,869	97.13%	9/30/2005 ^(a)
2005	25,868,820	0.8489	210,477	210,477	100.00%	210,477	100.00%	9/30/2006 ^(a)
2006	34,790,812	0.7796	270,257	270,257	100.00%	270,257	100.00%	9/30/2007 ^(a)
2007	51,689,313	0.7213	372,836	372,836	100.00%	372,836	100.00%	9/30/2008 ^(a)
2008	68,918,454	0.7213	497,110	497,110	100.00%	497,110	100.00%	9/30/2009 ^(a)
2009	68,536,243	0.7213	494,352	476,132	96.31%	476,132	96.31%	9/30/2010 ^(a)
2010	63,300,445	0.7213	454,004	454,004	100.00%	454,004	100.00%	9/30/2011 ^(a)
2011	61,005,748	0.7213	440,034	440,034	100.00%	440,034	100.00%	9/30/2012 ^(a)
2012	60,313,373	0.7213	435,041	435,041	100.00%	435,041	100.00%	9/30/2013 ^(a)
2013	63,985,248	0.7213	462,110	462,110	100.00%	462,110	100.00%	9/30/2014 ^(a)
2014	69,738,163	0.7213	503,021	402,239	79.96%	402,239	79.96%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Stratus Properties	Acreage & Lots	\$ 6,447,095	\$ 6,913,924	\$ 7,308,972
OWB REO LLC	Land & Improvements	-	-	2,897,945
Individual Homeowners	Land & Improvements	30,660,499	28,810,937	22,441,749
		\$ 37,107,594	\$ 35,724,861	\$ 32,648,666
Percent of Assessed Valuation		53.21%	55.83%	54.13%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Issued		
		Authorized	to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 42,750,000	\$ 2,290,000	\$ 40,460,000
11/7/1995	Refunding ^(a)	64,125,000	-	64,125,000

- (a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$64,125,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.06%	379,244
Travis County ESD No. 3	3,340,858	3/1/2015	3.23%	107,758
Travis County Healthcare District	12,305,000	3/1/2015	0.06%	7,958
Austin Community College	81,895,659	3/1/2015	0.05%	40,694
Austin Independent School District	718,688,366	3/1/2015	0.10%	701,102
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 1,236,756
Travis Co. MUD No. 8 (a)	\$ 5,894,129	5/1/2015	100.00%	\$ 5,894,129
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 7,130,885
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				10.23%
Ratio of Estimated and Overlapping Debt to Estimated Assessed Valuation as of 1/1/15				9.59%

(a) Includes the direct debt of Travis County MUD No. 8 and Travis County MUD No. 8's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Travis County	Travis County
Travis County	\$0.456300	\$ 9,932
Travis County ESD No. 3	0.090800	1,976
Travis County Healthcare District	0.126400	2,751
Austin Community College	0.094200	2,050
Austin Independent School District	1.222000	26,598
Travis Co. MUD No. 8	0.721300	15,700
Total	\$2.711000	\$ 59,008

(a) Based upon the 2014 average single-family home value of 2,176,618 as provided by TCAD.

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TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 9

Status of Development (as of March 1, 2015):

Total Acreage	290.75
Total Acreage Developed with Utility Facilities	0.00*

* Approximately 283.34 acres are developable and 7.41 acres are undevelopable.

Selected Financial Information

2014 Certified Assessed Valuation\$3,512,444(a)

Outstanding Debt

Outstanding Debt	Gross Debt	Average Annual Debt	Maximum Annual Debt
Direct Obligations of MUD No. 9 ^(b)	\$ -	\$ -	\$ -
Contract Unlimited Tax ^(c)	194,873	12,138	14,818
	\$ 194,873	\$ 12,138	\$ 14,818

(a) As provided by the Travis Central Appraisal District ("TCAD").

(b) Debt issued by Travis Co. MUD No. 9 to acquire or construct internal facilities. See "Bonds Authorized but Unissued" below.

(c) Travis Co. MUD No. 9's pro rata share of the Bonds and the Outstanding Contract Bonds based upon the Service Area Assessed Valuation of \$989,621,674 for 2014.

Ratio of Gross Debt to 2014 Certified Assessed Valuation 5.55%

Fund Balance as of December 31, 2014

General Operating Fund	\$ 7,804
Special Revenue Fund	8,589

Tax Information

	<u>District</u>	<u>Contract</u>	<u>Total</u>
Tax Rate required to pay Average Requirement based on 2014 Assessed Valuation at 95% collection	\$ -	\$ 0.37	\$ 0.37 /\$100 AV
Tax Rate required to pay Maximum Requirement based on 2014 Assessed Valuation at 95% collection	\$ -	\$ 0.45	\$ 0.45 /\$100 AV

Tax Rate Distribution

Tax Rate Distribution	2014	2013	2012	2011	2010
Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance	0.5256	0.5256	0.5256	0.5256	0.5256
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.8756	\$ 0.8756	\$ 0.8756	\$ 0.8756	\$ 0.8756

Tax Collections

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Tax Year Ending
				Amount	Percent	Amount	Percent	
1996	\$ 2,662,265	\$ 0.9500	\$ 25,292	\$ 25,291	100.00%	\$ 25,291	100.00%	9/30/1997 ^(a)
1997	2,522,798	0.9500	23,967	23,967	100.00%	23,967	100.00%	9/30/1998 ^(a)
1998	2,184,731	0.9500	20,755	20,755	100.00%	20,755	100.00%	9/30/1999 ^(a)
1999	2,909,799	0.9089	26,447	26,447	100.00%	26,447	100.00%	9/30/2000 ^(a)
2000	3,214,041	0.9089	29,212	29,212	100.00%	29,212	100.00%	9/30/2001 ^(a)
2001	3,362,658	0.9089	30,563	30,563	100.00%	30,563	100.00%	9/30/2002 ^(a)
2002	3,339,185	0.9089	30,350	30,350	100.00%	30,350	100.00%	9/30/2003 ^(a)
2003	3,336,642	0.9089	30,327	30,327	100.00%	30,327	100.00%	9/30/2004 ^(a)
2004	3,336,642	0.9089	30,327	30,327	100.00%	30,327	100.00%	9/30/2005 ^(a)
2005	3,205,374	0.9089	29,134	29,134	100.00%	29,134	100.00%	9/30/2006 ^(a)
2006	3,361,283	0.8920	29,983	29,983	100.00%	29,983	100.00%	9/30/2007 ^(a)
2007	3,485,176	0.8920	30,516	30,516	100.00%	30,516	100.00%	9/30/2008 ^(a)
2008	3,581,021	0.8756	31,356	31,356	100.00%	31,356	100.00%	9/30/2009 ^(a)
2009	3,570,108	0.8756	31,260	31,260	100.00%	31,260	100.00%	9/30/2010 ^(a)
2010	3,449,695	0.8756	30,206	30,206	100.00%	30,206	100.00%	9/30/2011 ^(a)
2011	3,500,989	0.8756	30,654	30,654	100.00%	30,654	100.00%	9/30/2012 ^(a)
2012	3,423,108	0.8756	29,973	29,973	100.00%	29,973	100.00%	9/30/2013 ^(a)
2013	3,418,902	0.8756	29,936	29,936	100.00%	29,936	100.00%	9/30/2014 ^(a)
2014	3,512,444	0.8756	30,755	317	1.03%	317	1.03%	9/30/2015 ^(b)

(a) Audited.

(b) Unaudited; reflects tax collections through January 31, 2015. Taxes were due with no late penalty by January 31, 2015.

Principal Taxpayers

Principal Taxpayers	Type Property	2014	2013	2012
Stratus Properties	Acreage & Lots	\$ 2,114,084	\$ 2,114,084	\$ 2,114,084
Individual Homeowner	Land & Improvements	1,362,107	1,233,000	1,300,000
Hill Country Golf	Land & Improvements	17,456	61,281	-
Southwestern Bell Telephone Co.	Telephone Company	18,797	10,537	9,024
		\$ 3,512,444	\$ 3,418,902	\$ 3,423,108
Percent of Assessed Valuation		100.00%	100.00%	100.00%

Bonds Authorized But Unissued

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/7/1995	Water, Wastewater & Drainage	\$ 15,510,000	\$ -	\$ 15,510,000
11/7/1995	Refunding ^(a)	23,265,000	-	23,265,000

- (a) The proposition authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued, assuming that the total amount of bonds authorized by the voters is issued, which equals \$23,265,000. To the extent the par amount of the refunding bonds exceeds the par amount of the refunded bonds the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of refunding bonds after deducting Underwriter's discount is also counted against the District's refunding authorization.

Estimated Overlapping Debt Statement

Taxing Body	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	652,173,919	3/1/2015	0.00%	19,101
Travis County ESD No. 3	3,340,858	3/1/2015	0.16%	5,427
Travis County Healthcare District	12,305,000	3/1/2015	0.00%	401
Austin Community College	81,895,659	3/1/2015	0.00%	2,050
Austin Independent School District	718,688,366	3/1/2015	0.00%	35,312
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 62,291
Travis Co. MUD No. 9 (a)	\$ 194,873	5/1/2015	100.00%	\$ 194,873
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 257,164
Ratio of Estimated and Overlapping Debt to Certified 2014 Assessed Valuation				7.32%

- (a) Travis County MUD No. 9's pro rata share of the Bonds and Outstanding Contract Bonds based upon the 2014 Assessed Valuation.

Overlapping Taxes for 2014

Overlapping Entity	2014 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Travis County	Travis County
Travis County	\$0.456300	\$ 6,215
Travis County ESD No. 3	0.090800	1,237
Travis County Healthcare District	0.126400	1,722
Austin Community College	0.094200	1,283
Austin Independent School District	1.222000	16,645
Travis Co. MUD No. 9	0.875600	11,927
Total	\$2.865300	\$ 39,028

- (a) Based upon the 2014 average single-family home value of \$1,362,107 as provided by TCAD.

APPENDIX B
AUDITED FINANCIAL STATEMENTS

The information contained in this appendix has been excerpted from the audited financial statements of Travis County Municipal Utility District No. 4 – Master 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.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4**

YEAR ENDED SEPTEMBER 30, 2014

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

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4**

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

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

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4**

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**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4**

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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)

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
(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 **February 3, 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 Ave., Suite 1300
Austin, Texas 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

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

111 Congress Avenue
Suite 400
Austin, Texas 78701
(512) 610-2209
www.mgsbpllc.com

Board of Directors
Travis County Municipal
Utility District No. 4
Travis County, Texas

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Municipal Utility District No. 4 (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 and Special Revenue 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

February 3, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Travis County Municipal Utility District No. 4 (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 total fund balance was \$770,215, an increase of \$46,324 from the previous fiscal year. General fund revenues increased from \$100,236 in the previous fiscal year to \$126,868 in the current fiscal year due to an increase in property tax revenues as a result of an increase in the District's tax rate allocated to the General Fund.
- *Special Revenue Fund:* Fund balance restricted for contracted Master District expenditures increased from \$2,050,301 in the previous fiscal year to \$2,118,953 in the current fiscal year. The Participant District was assessed \$123,069 in contract charges from the Master District during the current fiscal year.
- *Debt Service Fund:* Fund balance restricted for debt service decreased from \$2,592,079 in the previous fiscal year to \$2,452,671 in the current fiscal year. Contributions from the Participant Districts to the Master District increased from \$3,011,300 in the previous fiscal year to \$3,194,000 in the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects decreased from a deficit balance of \$43,174 in the previous fiscal year to a deficit balance of \$84,038 in the current fiscal year. The District did not purchase any infrastructure assets during the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$284,597. Net position decreased from a deficit of \$2,077,071 to a deficit balance of \$2,361,668.

OVERVIEW OF THE DISTRICT

The District is a political subdivision of the State of Texas created, along with six other conservation and reclamation districts, by an act of the 74th Regular Session of the Texas Legislature on June 16, 1995, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage, including water quality facilities, to the approximately 492 acres within its boundaries, all of which lies within Travis County, Texas and the Barton Creek Development which includes the approximately 3,520 acres located in Travis County Municipal Utility District Nos. 3, 4, 5, 6, 7, 8 and 9. The District, which encompasses approximately 492 acres of land, is located in western Travis County and lies approximately 8 miles west of the City of Austin's central business district and is situated approximately 2 miles southwest of the intersection of RM 2244 and Capital of Texas Highway. The District lies entirely within the extraterritorial jurisdiction of Austin, Texas. Travis County Municipal Utility District No. 4 serves as the Master District for all seven districts. The Master District operates and maintains all of the water, wastewater and drainage and including water quality, facilities for the seven districts by contract.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

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.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4 **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	\$ 6,875,289	\$ 6,830,348	\$ 44,941
Capital and non-current assets	41,809,245	43,024,082	(1,214,837)
Total Assets	48,684,534	49,854,430	(1,169,896)
Deferred Outflows of Resources	349,167	794,913	(445,746)
Current Liabilities	3,280,890	3,223,725	57,165
Long-term Liabilities	48,114,479	49,502,689	(1,388,210)
Total Liabilities	51,395,369	52,726,414	(1,331,045)
Net Investment in Capital Assets	(7,431,130)	(7,166,868)	(264,262)
Restricted	4,299,246	4,365,905	(66,659)
Unrestricted	770,216	723,892	46,324
Total Net Position	\$ (2,361,668)	\$ (2,077,071)	\$ (284,597)

The District's net position decreased from a deficit balance of \$2,077,071 in the previous fiscal year to a deficit balance of \$2,361,668 in the current fiscal year.

Some of these 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 \$770,216.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

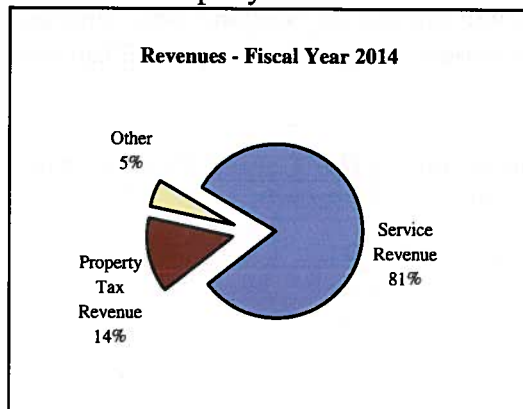
Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2014	2013	
Water/wastewater/water quality fees	\$ 2,867,363	\$ 3,564,085	\$ (696,722)
Property tax revenue	477,405	423,501	53,904
Other	201,198	141,689	59,509
Total Revenues	3,545,966	4,129,275	(583,309)
Contracted Master District services	123,069	109,123	13,946
Water/wastewater operations	2,137,833	2,015,279	122,554
Administrative	476,658	498,643	(21,985)
Debt service	2,502,865	3,249,640	(746,775)
Deprecation	1,128,484	1,113,208	15,276
Amortization	246,466	246,465	1
Total Expenses	6,615,375	7,232,358	(616,983)
Intergovernmental Contributions	2,784,812	3,993,131	(1,208,319)
Change in Net Position	(284,597)	890,048	(1,174,645)
Beginning Net Position	(2,077,071)	(2,967,119)	890,048
Ending Net Position	\$ (2,361,668)	\$ (2,077,071)	\$ (284,597)

Revenues were \$3,545,966 for the fiscal year ended September 30, 2014 while expenses were \$6,615,375 and intergovernmental contributions were \$2,784,812. In total, net position decreased \$284,597.

Property tax revenues in the current fiscal year totaled \$477,405. 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 assessed value of \$65,432,269 and a tax rate of \$0.7296 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 \$58,045,418 and a tax rate of \$0.7296 per \$100 of assessed valuation. The District's primary revenue source is water/wastewater/water quality service fees.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4 **MANAGEMENT'S DISCUSSION AND ANALYSIS** **SEPTEMBER 30, 2014**

ANALYSIS OF GOVERNMENTAL FUNDS

	<u>Governmental Funds by Year</u>			
	2014	2013	2012	2011
Cash on deposit	\$ 612,883	\$ 580,695	\$ 306,362	\$ 424,927
Cash equivalents/investments	5,710,638	5,374,658	7,027,124	6,906,907
Receivables	1,535,520	1,801,873	3,344,669	3,316,153
Total Assets	\$ 7,859,041	\$ 7,757,226	\$ 10,678,155	\$ 10,647,987
Accounts payable/refundable deposits	732,299	833,942	607,773	818,963
Other payable	1,868,931	1,600,177	4,317,976	3,389,585
Total Liabilities	2,601,230	2,434,119	4,925,749	4,208,548
Deferred Inflows of Resources	10	10	10	10
Restricted	3,382,941	4,066,658	5,051,135	6,153,316
Assigned	1,188,683	575,722	435,112	12,016
Unassigned	686,177	680,717	266,149	274,097
Total Fund Balance	5,257,801	5,323,097	5,752,396	6,439,429
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 7,859,041	\$ 7,757,226	\$ 10,678,155	\$ 10,647,987

For the fiscal year ended September 30, 2014, the District's governmental funds reflect a combined fund balance of \$5,257,801.

This fund balance includes a \$46,324 increase in the General Fund.

The Special Revenue Fund reflects an increase of \$68,652 in fiscal year 2014. The Special Revenue Fund for the Participant District incurred \$123,069 of Contracted Master District monthly charges.

The Debt Service Fund reflects a decrease of \$139,408 in fiscal year 2014. The Debt Service Fund for the Master District remitted bond principal of \$1,355,000 and bond interest of \$1,954,540. In the Participant District, bond principal of \$85,000 and bond interest of \$55,567 was remitted. 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 reflects a decrease of \$40,864 in fund balance for fiscal year 2014.

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating costs. On September 3, 2013, the Board of Directors approved budgets for the Participant and Master Districts. The Participant District budget included revenues of \$129,121 as compared to expenditures of \$96,231. When comparing actual to budget, the Participant District had a positive variance of \$13,434. The Master District budget included revenues of \$3,006,960 as compared to expenditures of \$3,582,682. When comparing actual to budget, the Master District had a positive variance of \$540,986. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities show an investment of \$39,262,440 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2014	9/30/2013
Capital Assets:		
Land	\$ 372,733	\$ 372,733
Construction in progress	1,553,392	1,553,392
Water/Wastewater/Drainage	48,750,580	48,590,468
Less: Accumulated Depreciation	(11,414,265)	(10,285,781)
Total Net Capital Assets	<u>\$ 39,262,440</u>	<u>\$ 40,230,812</u>

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

TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2014

LONG TERM DEBT

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

	Bonds Payable
Series 2005 (Master)	\$ 395,000
Series 2007 (Master)	1,250,000
Series 2007 (Participant)	1,205,000
Series 2008 (Master)	975,000
Series 2009 (Master)	485,000
Series 2009A (Master)	5,600,000
Series 2010 (Master)	9,655,000
Series 2010A (Master)	5,435,000
Series 2011 (Master)	5,695,000
Series 2012 (Master)	9,080,000
Series 2013 (Master)	9,755,000
Total	<u>\$ 49,530,000</u>

The District owes approximately \$50 million to bondholders. In addition, the Participant District contributes to debt service requirements of the Master District bonds based upon a pro rata allocation of assessed valuation. During the year, the District made principal payments of \$1,440,000. The ratio of the Participant District's long term debt (\$1,205,000) to the total 2013 taxable assessed valuation (\$65,432,269) is 1.8%. The ratio of the Master District's long term debt (\$48,325,000) to the total 2013 taxable assessed valuation of all of the Participating District's total taxable assessed valuation (\$910,246,234) is 5.3%. The District's estimated population, as provided by the District as of September 30, 2014, is 81 for the Participant District and 3,401 for all Participant Districts. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The amount of assessed value of property within the District for the 2014 tax year (September 30, 2015 fiscal year) is approximately \$73 million and the tax rate levied was \$0.7296 per \$100 of assessed valuation. Approximately 27% of the property tax will fund general fund costs, approximately 48% will fund contracted Master District activity and approximately 25% of the property tax will be set aside for debt service.

The Participating District's adopted budget for fiscal year 2015 projects an operating fund balance increase of \$43,900. The Master District's adopted budget for 2015 projects a fund balance decrease of \$1,188,683.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

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

TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2014

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
ASSETS							
Cash and cash equivalents -							
Cash	\$ 29,538	\$ 356,774	\$ 83,572	\$ 142,999	\$ 612,883	\$ -	\$ 612,883
Cash equivalents	919,076	2,050,165	1,928,710	77,687	4,975,638	-	4,975,638
Investments	245,000	-	490,000	-	735,000	-	735,000
Receivables-							
Water, wastewater and water quality fees, net of allowance for doubtful accounts of \$ -0-	-	550,463	-	-	550,463	-	550,463
Property taxes	1	9	-	-	10	-	10
Interest	186	-	249	-	435	-	435
Interfund	2,999	979,836	504	413	983,752	(983,752)	-
Other	-	860	-	-	860	-	860
Intangible assets, net of accumulated amortization	-	-	-	-	-	2,546,805	2,546,805
Capital assets, net of accumulated depreciation -							
Land	-	-	-	-	-	372,733	372,733
Construction in Progress	-	-	-	-	-	1,553,392	1,553,392
Water/Wastewater/Drainage System	-	-	-	-	-	37,336,315	37,336,315
TOTAL ASSETS	1,196,800	3,938,107	2,503,035	221,099	7,859,041	40,825,493	48,684,534
DEFERRED OUTFLOWS OF RESOURCES							
Deferred charges on bond refunding	-	-	-	-	-	349,167	349,167
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	-	349,167	349,167
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 1,196,800	\$ 3,938,107	\$ 2,503,035	\$ 221,099	\$ 7,859,041	41,174,660	49,033,701
LIABILITIES							
Accounts payable	\$ 4,994	\$ 406,483	\$ -	\$ -	\$ 411,477	-	411,477
Accrued interest payable	-	-	-	-	-	163,412	163,412
Refundable deposits	-	329,129	-	-	329,129	-	329,129
Due to developer	-	-	-	-	-	108,975	108,975
Interfund payables	421,590	206,661	50,364	305,137	983,752	(983,752)	-
Intergovernmental payables	-	876,872	-	-	876,872	-	876,872
Bonds payable -							
Due within one year	-	-	-	-	-	1,500,000	1,500,000
Due after one year	-	-	-	-	-	48,005,504	48,005,504
TOTAL LIABILITIES	426,584	1,819,145	50,364	305,137	2,601,230	48,794,139	51,395,369
DEFERRED INFLOWS OF RESOURCES							
Property taxes	1	9	-	-	10	(10)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	1	9	-	-	10	(10)	-
FUND BALANCES / NET POSITION							
Fund balances:							
Restricted for contracted Master District expenditures	-	930,270	-	-	930,270	(930,270)	-
Restricted for debt service	-	-	2,452,671	-	2,452,671	(2,452,671)	-
Assigned for 2015 budget deficit	-	1,188,683	-	-	1,188,683	(1,188,683)	-
Unassigned	770,215	-	-	(84,038)	686,177	(686,177)	-
TOTAL FUND BALANCES	770,215	2,118,953	2,452,671	(84,038)	5,257,801	(5,257,801)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 1,196,800	\$ 3,938,107	\$ 2,503,035	\$ 221,099	\$ 7,859,041		
NET POSITION:							
Net investment in capital assets						(7,431,130)	(7,431,130)
Restricted for authorized contract tax expenditures						2,009,987	2,009,987
Restricted for debt service						2,289,259	2,289,259
Unrestricted						770,216	770,216
TOTAL NET POSITION						\$ (2,361,668)	\$ (2,361,668)

The accompanying notes are an integral part of this statement.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2014**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:							
Water, wastewater, and water quality fees, including penalties	\$ -	\$ 2,867,363	\$ -	\$ -	\$ 2,867,363	\$ -	\$ 2,867,363
Tap connection fees	-	173,500	-	-	173,500	-	173,500
Property tax revenues, including penalties	124,324	229,018	124,063	-	477,405	-	477,405
Interest	2,544	1,092	2,331	131	6,098	-	6,098
Miscellaneous	-	21,600	-	-	21,600	-	21,600
TOTAL REVENUES	126,868	3,292,573	126,394	131	3,545,966	-	3,545,966
EXPENDITURES / EXPENSES:							
Current:							
Contracted Master District services	-	123,069	-	-	123,069	-	123,069
Water purchases	-	478,516	-	-	478,516	-	478,516
Repairs and maintenance	12,139	504,519	-	-	516,658	-	516,658
Operations/management	13,980	245,683	-	-	259,663	-	259,663
Utilities and telephone	-	566,451	-	-	566,451	-	566,451
Water quality monitoring	-	25,000	-	-	25,000	-	25,000
Sludge hauling	-	60,607	-	-	60,607	-	60,607
Chemicals and lab fees	-	91,545	-	-	91,545	-	91,545
Permit fees	-	6,062	-	-	6,062	-	6,062
Security services	-	16,584	-	-	16,584	-	16,584
Landscape services	-	116,747	-	-	116,747	-	116,747
Director fees	-	8,720	-	-	8,720	-	8,720
Legal fees	18,608	53,959	-	-	72,567	-	72,567
Engineering fees	538	199,085	-	-	199,623	-	199,623
Accounting fees	18,000	78,000	-	-	96,000	-	96,000
Audit fees	11,500	17,750	-	-	29,250	-	29,250
Tax appraisal/collection fees	783	1,441	781	-	3,005	-	3,005
Other consulting fees	616	16,446	614	-	17,676	-	17,676
Insurance	400	30,548	-	-	30,948	-	30,948
Arbitrage review	-	-	1,000	-	1,000	-	1,000
Miscellaneous	3,980	13,889	-	-	17,869	-	17,869
Debt Service -							
Bond principal	-	-	1,440,000	-	1,440,000	(1,440,000)	-
Bond interest	-	-	2,010,107	-	2,010,107	444,463	2,454,570
Fiscal agent fees and other	-	-	7,300	-	7,300	-	7,300
Bond issuance costs	-	-	-	40,995	40,995	-	40,995
Capital outlay	-	160,112	-	-	160,112	(160,112)	-
Depreciation	-	-	-	-	-	1,128,484	1,128,484
Amortization	-	-	-	-	-	246,466	246,466
TOTAL EXPENDITURES / EXPENSES	80,544	2,814,733	3,459,802	40,995	6,396,074	219,301	6,615,375
Excess (deficiency) of revenues over expenditures/expenses	46,324	477,840	(3,333,408)	(40,864)	(2,850,108)	(219,301)	(3,069,409)
OTHER FINANCING SOURCES (USES) -							
Intergovernmental contributions	-	(409,188)	3,194,000	-	2,784,812	-	2,784,812
TOTAL OTHER FINANCING SOURCES (USES) -	-	(409,188)	3,194,000	-	2,784,812	-	2,784,812
NET CHANGE IN FUND BALANCES	46,324	68,652	(139,408)	(40,864)	(65,296)	65,296	-
CHANGE IN NET POSITION						(284,597)	(284,597)
FUND BALANCES/ NET POSITION:							
Beginning of the year	723,891	2,050,301	2,592,079	(43,174)	5,323,097	(7,400,168)	(2,077,071)
End of the year	\$ 770,215	\$ 2,118,953	\$ 2,452,671	\$ (84,038)	\$ 5,257,801	\$ (7,619,469)	\$ (2,361,668)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 - The District was created by an order of the Texas State Legislature under House Bill 1606, passed by the 74th Legislature, regular session, 1995, as signed by the Governor on June 16, 1995. The District operates under Chapters 49 and 54 of the Texas Water Code pursuant to Article 16, Section 59 of the Texas Constitution. 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 in GASB Standards which are included in the District's reporting entity.

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

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

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

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

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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.
- **Debt Service Fund** – The Debt Service Fund is used to account for the 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 to be used 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.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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 immature principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

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.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - A budget was adopted on September 3, 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.

Pensions - The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be "employees" for federal payroll tax purposes only.

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, and obligations in the State Treasurer's Investment Pool, are recorded at cost, which approximates fair market value.

Investments - Investments, consisting of United States treasury instruments, certificates of deposit and obligations in the State Treasurer's Investment Pool are recorded at cost, which approximates fair market value.

Capital Assets - Capital assets, which includes Land, Common and Recreation Areas, Water System, Wastewater System and Water Quality/Detention Ponds 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>
Common and Recreation Areas	5 - 30
Water/Wastewater/Drainage System	10 - 50

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

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Long-Term Debt - Combination unlimited tax and contract tax 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 and discounts on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

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

- *Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.
- *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 \$1,188,683 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 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.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
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		\$ 5,257,801
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds -		
Deferred charges on bond refunding	1,590,204	
Less: Accumulated amortization	(1,241,037)	349,167
Intangible assets	7,393,950	
Less: Accumulated amortization	(4,847,145)	2,546,805
Capital assets	50,676,705	
Less: Accumulated depreciation	(11,414,265)	39,262,440
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		10
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds -		
Bonds payable	(49,530,000)	
Bond (premium)/discount, net	24,496	(49,505,504)
Developer advance		(108,975)
Accrued interest		(163,412)
Net Position - Governmental Activities		<u>\$ (2,361,668)</u>

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

Net Change in Fund Balances - Governmental Funds		\$ (65,296)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report -		
Capital expenditures in period purchased	160,112	
Bond principal in year paid	1,440,000	
Interest expenditures in year paid	(444,463)	1,155,649
Governmental funds do not report -		
Depreciation	(1,128,484)	
Amortization	(246,466)	(1,374,950)
Change in Net Position - Governmental Activities		<u>\$ (284,597)</u>

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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 \$612,883 and the bank balance was \$568,790. 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.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
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	Special Revenue	Debt Service	Capital Projects	Rating	Rating Agency
U.S. Gov. MM	\$ 1,713,459	\$ 546	\$ -	\$ 1,712,913	\$ -	AAAm	Standard & Poors
Money Market	2,031,566	393,498	1,638,068	-	-	Various	Various
State Investment Pool	1,230,613	525,032	412,097	215,797	77,687	AAAm	Standard & Poors
Certificate of Deposits	735,000	245,000	-	490,000	-	Various	Various
	<u>\$ 5,710,638</u>	<u>\$ 1,164,076</u>	<u>\$ 2,050,165</u>	<u>\$ 2,418,710</u>	<u>\$ 77,687</u>		

(1) Restricted for Payment of Master District Activities including Operations and Debt Service.

(2) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.

(3) Restricted for Purchase of Capital Assets.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. The fair value of the District's position 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 insurance and other pledged collateral.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
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 tax rates for the 2013 tax year on September 3, 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 \$65,432,269 was \$0.7296 on each \$100 valuation and was allocated as follows:

	<u>Tax Rate</u>
General Fund	\$ 0.1900
Special Revenue Fund	0.3500
Debt Service Fund	0.1896
	<u><u>\$ 0.7296</u></u>

The maximum allowable maintenance tax of \$1.00 was established by the voters on November 7, 1995.

Property taxes receivable at September 30, 2014, consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Current year levy	\$ -	\$ -	\$ -	\$ -
Prior years' levies	1	9	-	10
	<u>\$ 1</u>	<u>\$ 9</u>	<u>\$ -</u>	<u>\$ 10</u>

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

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

5. CONTRACT TAXES

At an election held November 7, 1995, voters authorized a contract tax on all property within the District subject to taxation. During the year ended September 30, 2014, the District levied an ad valorem tax at the rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$229,012 on taxable valuation of \$65,432,269 for the 2013 tax year. This contract tax was used to pay for its pro rata share of interest on Travis County Municipal Utility District No. 4's bonds as well as for operations and maintenance costs and reserve requirements on Master District Facilities as described in Note 9.

6. INTERFUND ACCOUNTS

A summary of interfund accounts at September 30, 2014, is as follows:

	Interfund	
	Receivables	Payables
General Fund -		
Special Revenue Fund - Participant	\$ -	\$ 421,590
Debt Service Fund - Participant	2,999	-
Special Revenue Fund -		
General Fund	421,590	-
Special Revenue Fund - Master	-	206,157
Special Revenue Fund - Participant	206,157	-
Debt Service Fund - Master	46,952	
Debt Service Fund - Participant		504
Capital Projects Fund - Master	305,137	-
Debt Service Fund -		
General Fund	-	2,999
Special Revenue Fund - Master	-	46,952
Special Revenue Fund - Participant	504	-
Capital Projects Fund	-	413
Capital Projects Fund -		
Special Revenue Fund - Master	-	305,137
Debt Service Fund - Master	413	-
	<u>\$ 983,752</u>	<u>\$ 983,752</u>

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

7. 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	\$ 372,733	\$ -	\$ -	\$ 372,733
Construction in Progress	1,553,392	-	-	1,553,392
	<u>1,926,125</u>	<u>-</u>	<u>-</u>	<u>1,926,125</u>
Capital assets being depreciated:				
Water/Wastewater/Drainage System	48,590,468	160,112	-	48,750,580
Total capital assets being depreciated	<u>48,590,468</u>	<u>160,112</u>	<u>-</u>	<u>48,750,580</u>
Less accumulated depreciation for:				
Water/Wastewater/Drainage System	(10,285,781)	(1,128,484)	-	(11,414,265)
Total accumulated depreciation	<u>(10,285,781)</u>	<u>(1,128,484)</u>	<u>-</u>	<u>(11,414,265)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>38,304,687</u>	<u>(968,372)</u>	<u>-</u>	<u>37,336,315</u>
Total capital assets, net	<u>\$ 40,230,812</u>	<u>\$ (968,372)</u>	<u>\$ -</u>	<u>\$ 39,262,440</u>

8. BONDED DEBT

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

	Combination Unlimited Tax Bonds
Bonds payable at October 1, 2013	\$ 50,970,000
Bonds issued	-
Bonds refunded	-
Bonds retired	(1,440,000)
Subtotal	<u>49,530,000</u>
Less: Unamortized premium/discount, net	<u>(24,496)</u>
Bonds payable at September 30, 2014	<u>\$ 49,505,504</u>

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

8. BONDED DEBT (continued) -

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

Unlimited Contract Tax Bonds:

\$395,000 – 2005 Unlimited Contract Tax Bonds (Master District) are paid serially through the year 2029 at an interest rate of 4.25%. Bonds maturing on 9/01/2029 are callable in whole or in part on any date beginning 9/01/2013 at par.

\$1,250,000 – 2007 Unlimited Contract Tax Bonds (Master District) are paid serially through the year 2030 at interest rates which range from 4.00% to 4.25%. Bonds maturing on 9/01/2016 to 9/01/2025 and term bonds maturing on 9/01/2031 are callable in whole or in part on any date beginning 9/01/2015 at par.

\$975,000 – 2008 Unlimited Contract Tax Bonds (Master District) are paid serially through the year 2020 at interest rates which range from 4.70% to 5.50%. The Master District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing September 1 of each of the years 2016 through 2020 in whole or from time to time in part, on September 1, 2015 and on any date thereafter.

\$485,000 – 2009 Unlimited Contract Tax Bonds (Master District) are paid serially through the year 2028 at interest rates which range from 4.25% to 5.25%. Bonds maturing on 9/01/2016 to 9/01/2028 are callable in whole or in part on any date beginning 9/01/2015 at par.

\$5,600,000 – 2009A Unlimited Contract Tax Bonds (Master District) are paid serially through the year 2033 at interest rates which range from 3.75% to 5.20%. The Master District reserves the right to redeem, prior to maturity, those bonds maturing after 9/01/2017 in whole or from time to time in part, on September 1, 2016 or any date thereafter. Term bonds maturing on 9/01/2028, 9/1/2030 and 9/1/2033 are subject to mandatory sinking fund requirements.

\$5,435,000 – 2010A Unlimited Contract Tax Bonds (Master District) are paid serially through the year 2037 at an interest rate of 4.75%. The Master District reserves the right to redeem, prior to maturity, those bonds maturing after 9/01/2036 and 9/01/37 in whole or from time to time in part, on September 1, 2017 or any date thereafter.

Refunding Bonds:

\$1,205,000 – 2007 Unlimited Contract Tax Refunding Bonds (Participant District) are paid serially through the year 2024 at interest rates which range from 4.00% to 4.60%. Bonds maturing on 9/01/2014 to 9/01/2024 are callable in whole or in part on any date beginning 9/01/2013 at par.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

8. BONDED DEBT (continued) -

Refunding Bonds:

\$9,655,000 – 2010 Unlimited Contract Tax Refunding Bonds (Master District) are paid serially through the year 2035 at interest rates which range from 3.875% to 4.750%. The Master District reserves the right to redeem, prior to maturity, those bonds maturing in the years 2021 through 2035, inclusive, in whole or from time to time in part, on September 1, 2016 or any date thereafter. Term bonds maturing on 9/01/2032 and 9/1/2035 are subject to mandatory sinking fund requirements.

\$5,695,000 – 2011 Unlimited Contract Tax Refunding Bonds (Master District) are paid serially through the year 2027 at interest rates which range from 2.00% to 4.00%. The Master District reserves the right to redeem, prior to maturity, those bonds maturing on or after September 1, 2019, in whole or from time to time in part, on September 1, 2018 or any date thereafter.

\$9,080,000 – 2012 Unlimited Contract Tax Refunding Bonds (Master District) are paid serially through the year 2028 at interest rates which range from 3.00% to 3.25%. The Master District reserves the right to redeem, prior to maturity, those bonds maturing on or after September 1, 2020, in whole or from time to time in part, on September 1, 2019 or any date thereafter.

\$9,755,000 – 2013 Unlimited Contract Tax Refunding Bonds (Master District) are paid serially through the year 2032 at interest rates which range from 2.00% to 3.50%. The Master District reserves the right to redeem, prior to maturity, those bonds maturing on or after September 1, 2020, in whole or from time to time in part, on September 1, 2019 or any date thereafter.

The unlimited contract tax bonds and refunding bonds are secured by and payable from a first lien and pledge of ad valorem taxes of the District. The annual requirement to amortize all bonded debt at September 30, 2014, including interest, is as follows:

Year Ended September 30,	Principal	Interest	Total
2015	\$ 1,500,000	\$ 1,960,943	\$ 3,460,943
2016	1,570,000	1,915,117	3,485,117
2017	1,610,000	1,863,305	3,473,305
2018	1,685,000	1,811,929	3,496,929
2019	1,740,000	1,755,525	3,495,525
2020 - 2024	8,920,000	7,900,202	16,820,202
2025 - 2029	11,165,000	6,297,512	17,462,512
2030 - 2034	12,980,000	3,805,354	16,785,354
2035 - 2037	8,360,000	787,314	9,147,314
	<u>\$ 49,530,000</u>	<u>\$ 28,097,201</u>	<u>\$ 77,627,201</u>

Principal and interest on the bonds are payable from and secured by an unconditional obligation to make certain payments by the participating districts in the applicable service area pursuant to the contracts described in Note 9. The participants have each agreed to pay a pro rata share of the debt service of the bonds based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all participating districts.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

8. BONDED DEBT (continued) –

In accordance with the regional contracts described in Note 9, the District shall calculate and bill on or before September 1 of each year, or as soon thereafter as practical, the amount of contract tax payments from each participant for the following year. The contract tax payments are payable by the participants semiannually, on April 1 and October 1 of each year, for the June 1 and December 1 debt service requirements. The following is a summary of the participants and their initial assessed valuations and anticipated contract tax payments for the year ended September 30, 2015:

	Initial Assessed Valuation	2015 Contract Tax Payment Due
Travis County Municipal Utility District No. 3	\$ 570,062,018	\$ 1,905,296
Travis County Municipal Utility District No. 4	72,566,596	242,536
Travis County Municipal Utility District No. 5	111,996,216	374,321
Travis County Municipal Utility District No. 6	161,905,121	541,129
Travis County Municipal Utility District No. 7	1,696,567	5,670
Travis County Municipal Utility District No. 8	69,738,163	233,083
Travis County Municipal Utility District No. 9	3,512,444	11,740
	<u>\$ 991,477,125</u>	<u>\$ 3,313,775</u>

\$2,452,671 is available in the Debt Service Fund to service the bonded debt. Tax bonds authorized but not issued amounted to \$6,915,000 at September 30, 2014 for the participating district.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES

The District entered into regional contracts whereby the District agreed to provide or cause to be provided the regional water supply and delivery facilities and the regional waste collection, treatment, and disposal facilities necessary to serve the participating districts. The contracts are as follows:

District	Date of Agreement
Travis County Municipal Utility District No. 3	September 22, 1995
Travis County Municipal Utility District No. 4	September 21, 1995
Travis County Municipal Utility District No. 5	September 18, 1995
Travis County Municipal Utility District No. 6	September 21, 1995
Travis County Municipal Utility District No. 7	September 19, 1995
Travis County Municipal Utility District No. 8	September 20, 1995
Travis County Municipal Utility District No. 9	September 21, 1995

Master District Service Fees

The Master District charges service fees that are based on an annual budget and provides for all Master District operation and maintenance costs and a three-month operation and maintenance reserve. The Master District currently has two wholesale customers that pay service fees according to contracted agreements. Service fees charged to other participants are calculated using accounting estimates based upon actual flows and assigned living unit equivalents (LUE's). Revenues billed and collected by the Master District for each participant district are offset against allocated service fees.

During the current fiscal year, the District received a credit of \$108,333 against allocated Master District operation and maintenance expenditures and reserve requirements. Additionally, the District was assessed a capital reserve requirements of \$7,402 to fund construction of certain projects in the next fiscal year.

Master District Debt Service Expenditures

The Master District is authorized to issue contract revenue bonds sufficient to complete acquisition and construction of the facilities as needed to serve all districts in the service area. Each participating district contributes to the payment of debt service requirements of the bonds based on the certified assessed valuation of each participant as a percentage of the total assessed valuation of all participating districts. During the current fiscal year, the District was billed \$224,000 to satisfy the District's pro rata share of the principal and interest on the Master District's bonds.

The District's pro rata share of future Master District debt service payments will vary from year to year based on annual assessed valuations established by the Travis Central Appraisal District for all of the Districts. For the fiscal year ending September 30, 2015, the District's pro rata share is currently expected to approximate 7.3% of the total Master District debt service payments.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) -

Transaction Summary

Transactions for the year ended September 30, 2014, are summarized as follows:

	Receivable/ (Payable) Balance, 10/1/2013	Current Fiscal Year Billings/ (Credits)	Capital Reserve Billings/ (Credits)	Participant District Expenses	Receivable/ (Payable) Balance, 9/30/2014
Travis County M.U.D. No. 3	\$ (303,875)	\$ (331,338)	\$ 32,071	\$ 85,866	\$ (517,276)
Travis County M.U.D. No. 4	(91,695)	(108,333)	7,402	26,698	(165,928)
Travis County M.U.D. No. 5	(118,050)	(132,311)	27,761	5,771	(216,829)
Travis County M.U.D. No. 6	(109,817)	(60,215)	8,630	6,856	(154,546)
Travis County M.U.D. No. 7	13,689	9,683	1	538	23,911
Travis County M.U.D. No. 8	(22,526)	(37,235)	4,040	5,080	(50,641)
Travis County M.U.D. No. 9	19,978	10,941	95	573	31,587
	<u>\$ (612,296)</u>	<u>\$ (648,808)</u>	<u>\$ 80,000</u>	<u>\$ 131,382</u>	<u>\$ (1,049,722)</u>

10. WATER CONTRACT

The Master District has contracted with the Lower Colorado River Authority to purchase water for municipal purposes until October 31, 2021 and water for irrigation purposes until June 26, 2023.

11. ECONOMIC DEPENDENCY

The Participant District is substantially dependent upon one customer for continuing operations.

12. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. 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, or from operations. On November 7, 1995, a bond election held within the District approved authorization to issue \$8,850,000 of participant district bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer's report. As of September 30, 2014, the District has issued \$1,935,000 of Unlimited Tax Bonds to reimburse developers.

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

13. 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.

14. DEFICIT - NET INVESTMENT IN CAPITAL ASSETS AND CAPITAL PROJECTS FUND

Net investment in capital assets had a deficit balance of \$7,431,130 at September 30, 2014. This is primarily attributable to capitalized interest, bond proceeds transferred to the General Fund, bond issuance costs and depreciation/amortization expense associated with the District's bond issues. In addition, the Capital Projects Fund had a deficit balance of \$84,038 at September 30, 2014. This deficit will be reimbursed through future bond proceeds.

15. SUBSEQUENT EVENT

On December 10, 2014, the District closed on the sale of its \$6,130,000 Series 2014 Unlimited Contract Tax Refunding Bond. Proceeds of the bonds were used to refund portions of the District's Series 2007, 2008, 2009 and 2009A bonds.

REQUIRED SUPPLEMENTARY INFORMATION

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2014**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 124,324	\$ 124,321	\$ 3
Interest	2,544	4,800	(2,256)
Miscellaneous	-	-	-
TOTAL REVENUES	<u>126,868</u>	<u>129,121</u>	<u>(2,253)</u>
EXPENDITURES:			
Current:			
Repairs/maintenance	12,139	18,000	5,861
Operations/management fees	13,980	14,106	126
Legal fees	18,608	24,000	5,392
Audit fees	11,500	11,500	-
Engineering fees	538	-	(538)
Accounting fees	18,000	18,000	-
Other consulting fees	616	1,000	384
Insurance	400	-	(400)
Tax appraisal/collection	783	625	(158)
Other	3,980	9,000	5,020
TOTAL EXPENDITURES	<u>80,544</u>	<u>96,231</u>	<u>15,687</u>
NET CHANGE IN FUND BALANCE	46,324	<u>\$ 32,890</u>	<u>\$ 13,434</u>
FUND BALANCE :			
Beginning of the year	<u>723,891</u>		
End of the year	<u>\$ 770,215</u>		

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING GOVERNMENTAL
FUNDS BALANCE SHEET -
SPECIAL REVENUE FUND
SEPTEMBER 30, 2014**

	Master District	Participating District	Total
<u>ASSETS</u>			
Cash and cash equivalents -			
Cash	\$ 356,774	\$ -	\$ 356,774
Cash equivalents	2,044,495	5,670	2,050,165
Receivables -			
Water, wastewater and water quality fees, net of allowance for doubtful accounts of \$ -0-	550,463	-	550,463
Property tax revenues, including penalties	-	9	9
Interfund	392,519	587,317	979,836
Other	860	-	860
TOTAL ASSETS	\$ 3,345,111	\$ 592,996	\$ 3,938,107
<u>LIABILITIES</u>			
Accounts payable	\$ 406,483	\$ -	\$ 406,483
Refundable deposits	329,129	-	329,129
Interfund payable	206,157	504	206,661
Intergovernmental payable	876,872	-	876,872
TOTAL LIABILITIES	1,818,641	504	1,819,145
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Property taxes	-	9	9
TOTAL DEFERRED INFLOWS OF RESOURCES	-	9	9
<u>FUND BALANCE</u>			
Restricted for Contracted Master District expenditures	337,787	592,483	930,270
Assigned for 2015 budget deficit	1,188,683	-	1,188,683
TOTAL FUND BALANCE	1,526,470	592,483	2,118,953
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 3,345,111	\$ 592,996	\$ 3,938,107

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
SPECIAL REVENUE FUND
SEPTEMBER 30, 2014**

	Master District	Participating District	Total
REVENUES -			
Water, wastewater, and water quality fees, including penalties	\$ 2,867,363	\$ -	\$ 2,867,363
Tap connection fees	173,500	-	173,500
Property tax revenues, including penalties	-	229,018	229,018
Interest	1,078	14	1,092
Miscellaneous	21,600	-	21,600
TOTAL REVENUES	3,063,541	229,032	3,292,573
EXPENDITURES -			
Current -			
Contracted Master District services	-	123,069	123,069
Water purchases	478,516	-	478,516
Repairs and maintenance	504,519	-	504,519
Operations/management	245,683	-	245,683
Utilities and telephone	566,451	-	566,451
Water quality monitoring	25,000	-	25,000
Sludge hauling	60,607	-	60,607
Chemicals and lab fees	91,545	-	91,545
Permit fees	6,062	-	6,062
Security services	16,584	-	16,584
Landscape services	116,747	-	116,747
Director fees, including payroll taxes	8,720	-	8,720
Legal fees	53,959	-	53,959
Engineering fees	199,085	-	199,085
Accounting fees	78,000	-	78,000
Audit fees	17,750	-	17,750
Tax appraisal/collection fees	-	1,441	1,441
Other consulting fees	15,312	1,134	16,446
Insurance	30,548	-	30,548
Miscellaneous	13,889	-	13,889
Capital outlay	160,112	-	160,112
TOTAL EXPENDITURES	2,689,089	125,644	2,814,733
Excess/(deficiency) of revenues over expenditures	374,452	103,388	477,840
OTHER FINANCING SOURCES/(USES) -			
Intergovernmental contributions	(409,188)	-	(409,188)
TOTAL OTHER FINANCING SOURCES/(USES)	(409,188)	-	(409,188)
NET CHANGE IN FUND BALANCES	(34,736)	103,388	68,652
FUND BALANCE -			
Beginning of Year	1,561,206	489,095	2,050,301
End of year	\$ 1,526,470	\$ 592,483	\$ 2,118,953

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING BUDGETARY COMPARISON SCHEDULE -
SPECIAL REVENUE FUND
SEPTEMBER 30, 2014**

	Master District		Variance
	Actual	Budget	Favorable (Unfavorable)
REVENUES -			
Water, wastewater, and water quality fees, including penalties	\$ 2,867,363	\$ 2,940,360	\$ (72,997)
Tap connection fees	173,500	42,000	131,500
Property tax revenues, including penalties	-	-	-
Interest	1,078	3,000	(1,922)
Miscellaneous	21,600	21,600	-
TOTAL REVENUES	<u>3,063,541</u>	<u>3,006,960</u>	<u>56,581</u>
EXPENDITURES -			
Current -			
Contracted Master District services	-	-	-
Water purchases	478,516	469,324	(9,192)
Repairs and maintenance	504,519	513,204	8,685
Operations/management	245,683	261,560	15,877
Utilities and telephone	566,451	621,460	55,009
Water quality monitoring	25,000	25,000	-
Sludge hauling	60,607	108,000	47,393
Chemicals and lab fees	91,545	80,100	(11,445)
Permit fees	6,062	3,500	(2,562)
Security services	16,584	16,584	-
Landscape services	116,747	145,800	29,053
Director fees	8,720	12,150	3,430
Legal fees	53,959	69,000	15,041
Engineering fees	199,085	140,000	(59,085)
Accounting fees	78,000	78,000	-
Audit fees	17,750	21,000	3,250
Tax appraisal/collection fees	-	-	-
Other consulting fees	15,312	19,000	3,688
Insurance	30,548	35,000	4,452
Miscellaneous	13,889	9,000	(4,889)
Capital outlay	160,112	955,000	794,888
TOTAL EXPENDITURES	<u>2,689,089</u>	<u>3,582,682</u>	<u>893,593</u>
Excess/(deficiency) of revenues over expenditures	<u>374,452</u>	<u>(575,722)</u>	<u>950,174</u>
OTHER FINANCING USES -			
Intergovernmental contributions	(409,188)	-	(409,188)
TOTAL OTHER FINANCING USES	<u>(409,188)</u>	<u>-</u>	<u>(409,188)</u>
NET CHANGE IN FUND BALANCES	(34,736)	<u>\$ (575,722)</u>	<u>\$ 540,986</u>
Fund balance, beginning of year	<u>1,561,206</u>		
Fund balance, end of year	<u>\$ 1,526,470</u>		

Participating District			Total		
Actual	Budget	Variance Favorable (Unfavorable)	Actual	Budget	Variance Favorable (Unfavorable)
\$ -	\$ -	\$ -	\$ 2,867,363	\$ 2,940,360	\$ (72,997)
-	-	-	173,500	42,000	131,500
229,018	-	229,018	229,018	-	229,018
14	-	14	1,092	3,000	(1,908)
-	-	-	21,600	21,600	-
229,032	-	229,032	3,292,573	3,006,960	285,613
123,069	-	(123,069)	123,069	-	(123,069)
-	-	-	478,516	469,324	(9,192)
-	-	-	504,519	513,204	8,685
-	-	-	245,683	261,560	15,877
-	-	-	566,451	621,460	55,009
-	-	-	25,000	25,000	-
-	-	-	60,607	108,000	47,393
-	-	-	91,545	80,100	(11,445)
-	-	-	6,062	3,500	(2,562)
-	-	-	16,584	16,584	-
-	-	-	116,747	145,800	29,053
-	-	-	8,720	12,150	3,430
-	-	-	53,959	69,000	15,041
-	-	-	199,085	140,000	(59,085)
-	-	-	78,000	78,000	-
-	-	-	17,750	21,000	3,250
1,441	-	(1,441)	1,441	-	(1,441)
1,134	-	(1,134)	16,446	19,000	2,554
-	-	-	30,548	35,000	4,452
-	-	-	13,889	9,000	(4,889)
-	-	-	160,112	955,000	794,888
125,644	-	(125,644)	2,814,733	3,582,682	767,949
103,388	-	103,388	477,840	(575,722)	1,053,562
-	-	-	(409,188)	-	(409,188)
-	-	-	(409,188)	-	(409,188)
103,388	\$ -	\$ 103,388	68,652	\$ (575,722)	\$ 644,374
489,095			2,050,301		
\$ 592,483			\$ 2,118,953		

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING GOVERNMENTAL
FUNDS BALANCE SHEET -
DEBT SERVICE FUND
SEPTEMBER 30, 2014**

	Master District	Participating District	Total
<u>ASSETS</u>			
Cash and cash equivalents -			
Cash	\$ 75,200	\$ 8,372	\$ 83,572
Cash equivalents	1,903,288	25,422	1,928,710
Investments	245,000	245,000	490,000
Receivables -			
Interest	143	106	249
Interfund	-	504	504
TOTAL ASSETS	\$ 2,223,631	\$ 279,404	\$ 2,503,035
<u>LIABILITIES</u>			
Interfund payable	\$ 45,615	\$ 4,749	\$ 50,364
TOTAL LIABILITIES	45,615	4,749	50,364
<u>FUND BALANCE</u>			
Restricted for debt service	2,178,016	274,655	2,452,671
TOTAL FUND BALANCE	2,178,016	274,655	2,452,671
TOTAL LIABILITIES AND FUND BALANCE	\$ 2,223,631	\$ 279,404	\$ 2,503,035

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
DEBT SERVICE FUND
SEPTEMBER 30, 2014**

	Master District	Participating District	Total
REVENUES -			
Property tax revenues, including penalties	\$ -	\$ 124,063	\$ 124,063
Interest	1,783	548	2,331
TOTAL REVENUES	<u>1,783</u>	<u>124,611</u>	<u>126,394</u>
EXPENDITURES -			
Current -			
Tax appraisal/collection fees	-	781	781
Other consulting fees	-	614	614
Debt service -			
Bond principal	1,355,000	85,000	1,440,000
Bond interest	1,954,540	55,567	2,010,107
Fiscal agent fees and other	6,900	400	7,300
Arbitrage review	1,000	-	1,000
TOTAL EXPENDITURES	<u>3,317,440</u>	<u>142,362</u>	<u>3,459,802</u>
Excess/(deficiency) of revenues over expenditures	<u>(3,315,657)</u>	<u>(17,751)</u>	<u>(3,333,408)</u>
OTHER FINANCING SOURCES / (USES) -			
Intergovernmental contributions	3,194,000	-	3,194,000
TOTAL OTHER FINANCING SOURCES / (USES)	<u>3,194,000</u>	<u>-</u>	<u>3,194,000</u>
NET CHANGE IN FUND BALANCES	<u>(121,657)</u>	<u>(17,751)</u>	<u>(139,408)</u>
FUND BALANCE -			
Beginning of year	<u>2,299,673</u>	<u>292,406</u>	<u>2,592,079</u>
End of year	<u>\$ 2,178,016</u>	<u>\$ 274,655</u>	<u>\$ 2,452,671</u>

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING GOVERNMENTAL
FUNDS BALANCE SHEET -
CAPITAL PROJECTS FUND
SEPTEMBER 30, 2014**

	Master District	Participating District	Total
<u>ASSETS</u>			
Cash and cash equivalents -			
Cash	\$ 142,999	\$ -	\$ 142,999
Cash equivalents	77,687	-	77,687
Receivables -			
Interfund	413	-	413
TOTAL ASSETS	\$ 221,099	\$ -	\$ 221,099
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ -
Interfund payable	305,137	-	305,137
TOTAL LIABILITIES	305,137	-	305,137
<u>FUND BALANCE</u>			
Restricted for authorized construction	(84,038)	-	(84,038)
TOTAL FUND BALANCE	(84,038)	-	(84,038)
TOTAL LIABILITIES AND FUND BALANCE	\$ 221,099	\$ -	\$ 221,099

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
COMBINING GOVERNMENTAL FUNDS
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
CAPITAL PROJECTS FUND
SEPTEMBER 30, 2014**

	Master District	Participating District	Total
REVENUES -			
Interest	\$ 131	\$ -	\$ 131
TOTAL REVENUES	<u>131</u>	<u>-</u>	<u>131</u>
EXPENDITURES -			
Bond issuance costs	40,995	-	40,995
TOTAL EXPENDITURES	<u>40,995</u>	<u>-</u>	<u>40,995</u>
NET CHANGE IN FUND BALANCES	<u>(40,864)</u>	<u>-</u>	<u>(40,864)</u>
FUND BALANCE -			
Beginning of year	<u>(43,174)</u>	<u>-</u>	<u>(43,174)</u>
End of year	<u><u>\$ (84,038)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (84,038)</u></u>

TEXAS SUPPLEMENTARY INFORMATION

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
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 checked="" type="checkbox"/> Retail Wastewater
<input type="checkbox"/> Parks/Recreation
<input type="checkbox"/> Solid Waste/Garbage
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)
<input type="checkbox"/> Other (specify): _____ | <input checked="" type="checkbox"/> Wholesale Water
<input checked="" type="checkbox"/> Wholesale Wastewater
<input type="checkbox"/> Fire Protection
<input type="checkbox"/> Flood Control | <input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Irrigation
<input type="checkbox"/> Security
<input type="checkbox"/> Roads |
|---|---|---|

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:	\$ 20.00	2,000	N	\$ 2.70	2,001 to 20,000
				\$ 3.00	20,001 to 50,000
				\$ 3.25	50,001 to 100,000
				\$ 3.75	100,001 to 150,000
				\$ 4.50	150,001 to unlimited
WASTEWATER:	\$ 27.50	2,000	N	\$ 2.21	2,001 to Winter Average
SURCHARGE:	\$ -	-	-	\$ -	

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

Total charges per 10,000 gallons usage: Water \$ 41.60 Wastewater \$ 45.18

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	1.0	1.0	1.0	1.0
≤ 3/4"	32.0	32.0	1.0	32.0
1"	1.0	1.0	2.5	2.5
1 1/2"	3.0	3.0	5.0	15.0
2"	5.0	5.0	8.0	40.0
3"	6.0	6.0	15.0	90.0
4"	1.0	1.0	25.0	25.0
6"	2.0	2.0	50.0	100.0
8"	3.0	3.0	80.0	240.0
10"	0.0	0.0	115.0	0.0
Total Water	54.0	54.0		545.5
Total Wastewater	54.0	54.0	1.0	54.0

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

Gallons pumped into system: 651,670

Gallons billed to customers: 641,540

Water Accountability Ratio

(Gallons billed / Gallons Pumped)
98.4%

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

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: Austin

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

⁽¹⁾ District services provided by Travis County M.U.D. No. 4 (Master District).

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2014**

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	11,500
Legal	18,608
Engineering	538
Financial Advisor	-
Purchased Services For Resale:	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	18,000
General Manager	13,980
Appraisal District	783
Tax Collector	-
Other Contracted Services	616
Utilities	-
Repairs and Maintenance	12,139
Administrative Expenditures:	
Directors' Fees	-
Office Supplies	-
Insurance	400
Other Administrative Expenditures	-
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Tap Connection Expenditures	-
Solid Waste Disposal	-
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	3,980
TOTAL EXPENDITURES	\$ 80,544

Number of persons employed by the District:

☐ Full-Time ☐ Part-Time

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2014**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund -					
Money Market Account	XXX2399	Varies	N/A	\$ 224,515	\$ -
Money Market Account	XXX2695	Varies	N/A	168,983	-
U. S. Government Money Market	XXX0154	Varies	N/A	546	-
State Investment Pool	XXX0004	Varies	N/A	525,032	-
Certificate of Deposit	XXX5154	0.30%	12/26/2014	245,000	186
Total				1,164,076	186
Special Revenue Fund -					
State Investment Pool	XXX0001	Varies	N/A	406,044	-
State Investment Pool	XXX0007	Varies	N/A	383	-
Money Market Account	XXX2709	Varies	N/A	1,638,068	-
State Investment Pool	XXX0006	Varies	N/A	5,670	-
Total				2,050,165	-
Debt Service Fund -					
U. S. Government Money Market	XXX0150	Varies	N/A	574	-
U. S. Government Money Market	XXX1023	Varies	N/A	26,955	-
U. S. Government Money Market	XXX1015	Varies	N/A	1,684,731	-
State Investment Pool	XXX0002	Varies	N/A	191,028	-
Certificate of Deposit	XXX8290	0.40%	2/8/2015	245,000	143
U. S. Government Money Market	XXX0159	Varies	N/A	653	-
State Investment Pool	XXX0005	Varies	N/A	24,769	-
Certificate of Deposit	XXX6094	0.75%	3/9/2015	245,000	106
Total				2,418,710	249
Capital Projects Fund -					
State Investment Pool	XXX0010	Varies	N/A	45,519	-
State Investment Pool	XXX0011	Varies	N/A	32,168	-
Total				77,687	-
Total - All Funds				\$ 5,710,638	\$ 435

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2014**

		<u>Maintenance Taxes</u>	<u>Contract Taxes</u>	<u>Debt Service Taxes</u>
Taxes Receivable, Beginning of Year		\$ 1	\$ 9	\$ -
2013 Original Tax Levy, less abatements		124,321	229,012	124,059
Total to be accounted for		<u>124,322</u>	<u>229,021</u>	<u>124,059</u>
Tax collections:				
Current year		124,321	229,012	124,059
Prior years		-	-	-
Total collections		<u>124,321</u>	<u>229,012</u>	<u>124,059</u>
Taxes Receivable, End of Year		<u>\$ 1</u>	<u>\$ 9</u>	<u>\$ -</u>
Taxes Receivable, By Years				
1997		\$ 1	\$ 9	\$ -
2013		-	-	-
Taxes Receivable, End of Year		<u>\$ 1</u>	<u>\$ 9</u>	<u>\$ -</u>
Property Valuations:	2013 (a)	2012 (a)	2011 (a)	2010 (a)
Land and improvements	\$ 65,432,269	\$ 58,045,418	\$ 52,813,202	\$ 53,625,479
Personal Property	-	-	-	-
Total Property Valuations	<u>\$ 65,432,269</u>	<u>\$ 58,045,418</u>	<u>\$ 52,813,202</u>	<u>\$ 53,625,479</u>
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.1900	\$ 0.1671	\$ 0.1464	\$ 0.1501
Contract tax rates	0.3500	0.3500	0.3500	0.3500
Debt Service tax rates	<u>0.1896</u>	<u>0.2125</u>	<u>0.2332</u>	<u>0.2295</u>
Total Tax Rates per \$100 Valuation:	<u>\$ 0.7296</u>	<u>\$ 0.7296</u>	<u>\$ 0.7296</u>	<u>\$ 0.7296</u>
Original Tax Levy	<u>\$ 477,392</u>	<u>\$ 423,498</u>	<u>\$ 385,324</u>	<u>\$ 391,251</u>
Percent of Taxes Collected to Taxes Levied **	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Maximum Maintenance Tax Rate Approved by Voters:	<u>\$ 1.00 on 11/7/1995.</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.

TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEAR
SEPTEMBER 30, 2014

Fiscal Year Ending	(Master District)			(Master District)			(Participant District)			(Master District)			(Master District)			(Master District)		
	Unlimited Contract Tax Bonds, SR 2005	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2007	Unlimited Contract Tax Bonds, SR 2008	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009	Unlimited Contract Tax Bonds, SR 2009
	Principal	Interest	Due	Principal	Interest	Due	Principal	Interest	Due	Principal	Interest	Due	Principal	Interest	Due	Principal	Interest	Due
	09/01	03/01;09/01	Total	09/01	03/01;09/01	Total	09/01	03/01;09/01	Total	09/01	03/01;09/01	Total	09/01	03/01;09/01	Total	09/01	03/01;09/01	Total
2015	\$ -	\$ 16,788	\$ 16,788	\$ 180,000	\$ 52,213	\$ 232,213	\$ 180,000	\$ 52,213	\$ 232,213	\$ 173,550	\$ 48,550	\$ 212,100	\$ 125,000	\$ 41,675	\$ 166,675	\$ 5,000	\$ 25,038	\$ 30,038
2016	-	16,788	16,788	185,000	45,013	230,013	185,000	45,013	230,013	191,675	41,675	233,350	150,000	34,625	184,625	5,000	24,825	29,825
2017	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	149,268	34,625	183,893	150,000	27,425	177,425	5,000	24,613	29,613
2018	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	149,910	34,625	184,535	150,000	27,425	181,960	5,000	24,613	29,613
2019	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,290	34,625	184,915	150,000	27,425	212,340	5,000	24,613	29,613
2020	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2021	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2022	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2023	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2024	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2025	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2026	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2027	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2028	-	16,788	16,788	-	37,613	37,613	-	37,613	37,613	150,403	34,625	185,028	150,000	27,425	212,453	5,000	24,613	29,613
2029	395,000	16,788	411,788	425,000	37,613	462,613	425,000	37,613	462,613	-	-	-	800,000	22,050	442,050	800,000	22,050	442,050
2030	-	-	-	460,000	19,550	479,550	460,000	19,550	479,550	-	-	-	850,000	22,050	472,050	850,000	22,050	472,050
2031	-	-	-	-	-	-	-	-	-	-	-	-	900,000	22,050	494,050	900,000	22,050	494,050
2032	-	-	-	-	-	-	-	-	-	-	-	-	950,000	22,050	516,050	950,000	22,050	516,050
2033	-	-	-	-	-	-	-	-	-	-	-	-	1,000,000	22,050	538,050	1,000,000	22,050	538,050
2034	-	-	-	-	-	-	-	-	-	-	-	-	1,035,000	22,050	560,050	1,035,000	22,050	560,050
2035	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2036	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	\$ 395,000	\$ 251,820	\$ 646,820	\$ 1,250,000	\$ 605,745	\$ 1,855,745	\$ 1,250,000	\$ 605,745	\$ 1,855,745	\$ 1,156,225	\$ 181,225	\$ 1,337,450	\$ 975,000	\$ 485,000	\$ 1,462,450	\$ 5,600,000	\$ 4,765,323	\$ 10,365,323

[illegible]

TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2014

	(Master) Series 2003	(Master) Series 2005	(Master) Series 2007	(Master) Series 2007	(Participant) Series 2007	(Master) Series 2008	(Master) Series 2009	(Master) Series 2009A	(Master) Series 2010	(Master) Series 2010A	(Master) Series 2011	(Master) Series 2012	(Master) Series 2013	Totals
Interest Rate	4.10%	4.25%	4.00% - 4.25%	4.00% - 4.25%	4.00% - 4.60%	4.70% - 5.50%	4.25% - 5.25%	3.75% - 5.20%	3.875% - 4.750%	4.75%	2.00% - 4.00%	3.00% - 3.25%	2.00% - 3.50%	
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	3/1/9/1	3/1/9/1	3/1/9/1	3/1/9/1	3/1/9/1	
Maturity Dates	09/01/2014	09/01/2029	09/01/2030	09/01/2030	09/01/2024	09/01/2020	09/01/2028	09/01/2033	09/01/2035	09/01/2037	09/01/2027	09/01/2028	09/01/2032	
Bond Outstanding at Beginning of Current Fiscal Year	\$ 505,000	\$ 395,000	\$ 1,425,000	\$ 1,290,000	\$ 1,290,000	\$ 1,100,000	\$ 490,000	\$ 5,605,000	\$ 9,655,000	\$ 5,435,000	\$ 6,110,000	\$ 9,120,000	\$ 9,840,000	\$ 50,970,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retirements During the Current Fiscal Year: Refunded	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Principal	(505,000)	-	(175,000)	(85,000)	(85,000)	(125,000)	(5,000)	(5,000)	-	-	(415,000)	(40,000)	(85,000)	(1,440,000)
Bonds Outstanding at End of Current Fiscal Year	\$ -	\$ 395,000	\$ 1,250,000	\$ 1,205,000	\$ 1,205,000	\$ 975,000	\$ 485,000	\$ 5,600,000	\$ 9,655,000	\$ 5,435,000	\$ 5,695,000	\$ 9,080,000	\$ 9,755,000	\$ 49,530,000
Interest Paid During the Current Fiscal Year	\$ 20,706	\$ 16,788	\$ 59,212	\$ 55,568	\$ 55,568	\$ 55,426	\$ 25,250	\$ 287,698	\$ 448,252	\$ 258,162	\$ 185,980	\$ 290,976	\$ 306,089	\$ 2,010,107
Paying Agent's Name & City:	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas	Bank of Texas Austin, Texas
Bond Authority:	Master													
Amount Authorized by Voters	District Bonds	Tax Bonds *	Other Bonds	Refunding Bonds										
Amount Issued	N/A	\$ 8,850,000	\$ -	N/A										
Remaining To Be Issued	\$ 58,035,000	1,935,000	-	\$ 43,995,000										
	N/A	\$ 6,915,000	\$ -	N/A										

* 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: \$ 2,502,282
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 3,375,096

TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-7. COMPARATIVE SCHEDULE OF REVENUES
AND EXPENDITURES - FIVE YEARS
SEPTEMBER 30, 2014

	Amounts				
	2014	2013	2012	2011	2010
GENERAL FUND REVENUES -					
Property taxes, including penalties	\$ 124,324	\$ 96,994	\$ 73,735	\$ 80,492	\$ 105,147
Interest and other	2,544	3,242	4,288	5,570	7,158
TOTAL GENERAL FUND REVENUES	126,868	100,236	78,023	86,062	112,305
GENERAL FUND EXPENDITURES -					
Current -					
Repairs/maintenance	12,139	5,978	7,389	4,590	74,686
Operations/management fees	13,980	13,529	12,414	12,067	13,187
Legal fees	18,608	18,441	21,113	22,732	21,024
Audit fees	11,500	11,250	11,000	10,800	10,500
Engineering fees	538	69	750	-	-
Accounting fees	18,000	18,000	18,000	18,000	18,000
Tax appraisal/collection	783	619	503	524	644
Other consulting fees	616	541	525	430	781
Insurance	400	400	-	-	-
Miscellaneous	3,980	3,623	3,445	3,214	4,266
Capital outlay	-	-	-	-	-
Operating transfer	-	(409,173)	2,185	-	-
TOTAL GENERAL FUND EXPENDITURES	80,544	(336,723)	77,324	72,357	143,088
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER EXPENDITURES	\$ 46,324	\$ 436,959	\$ 699	\$ 13,705	\$ (30,783)
DEBT SERVICE FUND REVENUES -					
Bond proceeds	\$ -	\$ -	\$ -	\$ 135,875	\$ 757,673
Proceeds from refunding issue, including bond premium	-	9,997,542	16,754,197	-	9,655,000
Intergovernmental contributions	3,194,000	3,011,300	2,885,708	2,959,678	3,006,139
Property taxes, including penalties	124,063	123,347	118,971	123,071	122,932
Interest	2,331	6,523	9,351	23,497	22,983
TOTAL DEBT SERVICE FUND REVENUES & OTHER FINANCING SOURCES	3,320,394	13,138,712	19,768,227	3,242,121	13,564,727
DEBT SERVICE FUND EXPENDITURES -					
Bond interest	2,010,107	2,119,604	2,163,628	2,431,415	2,105,382
Bond principal	1,440,000	1,340,000	1,395,000	1,070,000	1,040,000
Bond principal - payments to escrow agent	-	9,662,075	16,113,129	-	8,904,911
Capital outlay - bond issue costs	-	332,338	721,747	-	554,572
Fiscal agent fees and other	9,695	21,378	8,137	4,658	16,626
Bond discount	-	-	-	135,875	353,646
TOTAL DEBT SERVICE FUND EXPENDITURES & OTHER FINANCING USES	3,459,802	13,475,395	20,401,641	3,641,948	12,975,137
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	\$ (139,408)	\$ (336,683)	\$ (633,414)	\$ (399,827)	\$ 589,590
TOTAL ACTIVE RETAIL WATER CONNECTIONS	54	50	54	56	56
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	54	51	49	39	37

Percent of Fund Total Revenues				
2014	2013	2012	2011	2010
98.0%	96.8%	94.5%	93.5%	93.6%
2.0%	3.2%	5.5%	6.5%	6.4%
100%	100%	100%	100%	100%
9.6%	5.9%	9.5%	5.4%	66.5%
11.0%	13.4%	15.9%	14.0%	11.7%
14.7%	18.3%	27.0%	26.4%	18.7%
9.1%	11.1%	14.1%	12.5%	9.3%
0.4%	0.1%	1.0%	-	-
14.2%	18.0%	23.1%	20.9%	16.0%
0.6%	0.6%	0.6%	0.5%	0.6%
0.5%	0.5%	0.7%	0.6%	0.7%
0.3%	0.4%	-	-	-
3.1%	3.6%	4.4%	3.8%	3.8%
-	-	-	-	-
-	(408.2)%	2.8%	-	-
63.5%	(336.3)%	99.1%	84.1%	127.3%
36.5%	436.3%	0.9%	15.9%	(27.3)%
-	-	-	4.2%	5.6%
-	76.2%	84.8%	-	71.2%
96.2%	22.9%	14.6%	91.3%	22.1%
3.7%	0.9%	0.6%	3.8%	0.9%
0.1%	-	-	0.7%	0.2%
100%	100%	100%	100%	100%
60.5%	16.2%	10.9%	75.0%	15.5%
43.4%	10.2%	7.1%	33.0%	7.7%
-	73.5%	81.5%	-	65.6%
-	2.5%	3.7%	-	-
0.3%	0.2%	-	0.1%	0.1%
-	-	-	4.2%	2.6%
104.2%	102.6%	103.2%	112.3%	91.5%
(4.2)%	(2.6)%	(3.2)%	(12.3)%	8.5%

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2014**

Complete District Mailing Address: 100 Congress Ave., Suite 1300, Austin, TX 78701

District Business Telephone Number: (512) 435-2300

**Submission Date of the most recent District
Registration Form TWC Sections 36.054 & 49.054):** April 17, 2014

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

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2014	Expense Reimbursements 9/30/2014	Title at Year End
<u>Board Members:</u>				
Doug Connolly	(Elected) 11/6/2012 - 11/8/2016	\$ 1,800	\$ -	President
Bill F. Schneider	(Elected) 5/08/2010 - 11/4/2014	\$ 1,500	\$ -	Vice-President
Wayne Basden	(Elected) 11/6/2012 - 11/8/2016	\$ 1,650	\$ 284	Secretary
H. Edward Padgett, Jr.	(Elected) 5/08/2010 - 11/4/2014	\$ 1,800	\$ -	Treasurer
Daniel M. Dukes	(Appointed) 4/2/2013 - 11/8/2016	\$ 1,350	\$ 255	Assistant Secretary/Treasurer
<u>Consultants:</u>				
Crossroads Utility Services, LLC	3/12/2010	\$ 1,071,402	\$ -	General Manager
Armbrust & Brown, PLLC	11/20/1995	\$ 61,422	\$ -	Attorney
Murfee Engineering Co., Inc.	12/01/1998	\$ 221,129	\$ -	Engineer
Bott & Douthitt, PLLC	7/1/2009	\$ 96,000	\$ -	District Accountant
Public Finance Group LLC	4/17/2014	\$ -	\$ -	Financial Advisor
McCall Parkhurst & Horton L.L.P.	11/20/1995	\$ -	\$ -	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	7/1/2008	\$ 29,250	\$ -	Auditor
Travis County Tax Collector	N/A	\$ 576	\$ -	Tax Collector

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

OTHER SUPPLEMENTARY INFORMATION

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2014**

Taxpayer	Type of Property	Tax Roll Year		
		2014	2013	2012
Barton Creek Resort & Clubs Inc.	N/A	\$ 58,327,014	\$ 51,000,850	\$ 43,761,386
Owners Club at Barton Creek L.P.	N/A	7,727,187	7,822,685	7,954,700
Clubcorp International	N/A	5,303,814	5,303,814	5,315,854
PNC Equipment Finance LLC	N/A	534,948	510,962	-
TCF Equipment Finance Inc.	N/A	290,159	334,720	591,080
AT&T Mobility LLC	N/A	156,543	180,928	108,747
Dallas MTA LP	N/A	57,142	85,879	125,799
Stratus Properties Operating Company LP	N/A	55,738	55,738	55,738
De Lage Landen Operational	N/A	32,838	46,178	61,572
Coca Cola Company	N/A	24,993	28,411	31,258
Fibertower Network Svcs Corp.	N/A	-	-	10,985
Total		<u>\$ 72,510,376</u>	<u>\$ 65,370,165</u>	<u>\$ 58,017,119</u>
Percent of Assessed Valuation		<u>99.92%</u>	<u>99.91%</u>	<u>99.95%</u>

Source: Travis County Appraisal District

**TRAVIS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 4
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2014**

Type of Property	Tax Roll Year					
	2014		2013		2012	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 7,387,887	10.2%	\$ 7,483,385	11.4%	\$ 7,954,700	13.7%
Vacant Lot	404,196	0.5%	400,696	0.6%	61,396	0.1%
Commercial	58,324,856	80.4%	50,998,692	78.0%	43,759,228	75.4%
Telephone Company	219,174	0.3%	283,381	0.4%	252,551	0.4%
Commercial Personal Property	6,230,483	8.6%	6,266,115	9.6%	6,017,543	10.4%
Totally Exempt Property	3,500	-	7,000	-	7,000	-
Less: Adjustments	(3,500)	-	(7,000)	-	(7,000)	-
Total Taxable	<u>\$ 72,566,596</u>	<u>100%</u>	<u>\$ 65,432,269</u>	<u>100%</u>	<u>\$ 58,045,418</u>	<u>100%</u>

Source: Travis County Appraisal District

APPENDIX C
FORM OF BOND COUNSEL OPINION

LAW OFFICES

McCALL, PARKHURST & HORTON L.L.P.

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

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

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

*[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.]*

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4
UNLIMITED CONTRACT TAX BONDS, SERIES 2015A
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,775,000**

AS BOND COUNSEL FOR THE TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 4 (the "Master 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 resolution of the Board of Directors of the Master District adopted on April 7, 2015 authorizing the issuance of the Bonds (the "Resolution").

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the Master District, including the Order and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the Master District upon which certificates and documents we rely as to certain matters stated below. We have also examined 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 Master District, payable from ad valorem taxes without legal limit as to rate or amount to be levied and collected by the Master District upon taxable property within the Master District, which taxes the Master District has covenanted to levy in an amount sufficient (together with revenues and receipts from other sources which are legally available for such purposes) to pay the interest on and the principal of the Bonds. Such covenant to levy taxes is subject to the right of a city, under existing Texas law, to annex all of the territory within the Master District; to take over all properties and assets of the Master District; to assume all debts, liabilities, and obligations of the Master District, including the Bonds; and to abolish the Master District.

THE MASTER 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.

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.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual 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 certain representations, the accuracy of which we have not independently verified, and assume compliance by the Master District with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Master 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 Master District as the taxpayer. We observe that the Master 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 includable in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations under section 55 of the Code.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Master District, and, in that capacity, we have been engaged by the Master 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 Master 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 Master District as to the current outstanding indebtedness of and the assessed valuation of taxable property within the Master District. Our role in connection with the Master 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 ASSURANCE CORP.

AN ASSURED GUARANTY COMPANY

MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

MUNICIPAL ASSURANCE CORP. ("MAC"), 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 MAC, 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 MAC shall have received Notice of Nonpayment, MAC 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 MAC, 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 MAC. 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 MAC is incomplete, it shall be deemed not to have been received by MAC for purposes of the preceding sentence and MAC 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, MAC 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 MAC hereunder. Payment by MAC to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of MAC 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 MAC 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 MAC 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.

MAC 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 MAC pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to MAC and shall not be deemed received until received by both and (b) all payments required to be made by MAC under this Policy may be made directly by MAC or by the Insurer's Fiscal Agent on behalf of MAC. The Insurer's Fiscal Agent is the agent of MAC 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 MAC to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, MAC 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 MAC 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 MAC, 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, MUNICIPAL ASSURANCE CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

MUNICIPAL ASSURANCE CORP.

By _____
Authorized Officer

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

Form 500NY (5/13) (MAC)