

OFFICIAL STATEMENT DATED MAY 3, 2016

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: BAM Insured S&P “AA” (stable outlook); Moody’s Underlying “A3”
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 DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS.” See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions” herein.

\$6,375,000

Williamson County Water, Sewer, Irrigation, and Drainage District No. 3
(A Political Subdivision of the State of Texas Located in Williamson and Travis Counties, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2016

Dated: June 8, 2016

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

The \$6,375,000 Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 Unlimited Tax Refunding Bonds, Series 2016 (the “Bonds”) constitute obligations solely of Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 (the “District”) and are not obligations of the State of Texas (the “State”); the City of Hutto, Texas; Williamson County, Texas; Travis County, Texas; or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the date of delivery, June 8, 2016, and is payable September 1, 2016, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY-SYSTEM.” The initial Paying Agent/Registrar is BOKF, NA, Austin, Texas. The Bonds are being issued to currently refund a portion of the District’s outstanding Unlimited Tax Refunding Bonds, Series 2010 and advance refund a portion of the District’s outstanding Unlimited Tax Bonds, Series 2010A to achieve a debt service savings; and pay the costs of issuing the Bonds. See “PLAN OF FINANCING.”

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



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

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

The Bonds are offered when, as and if issued by the District, subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriters by their counsel, Bracewell LLP, Dallas, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on June 8, 2016.

Hutchinson, Shockey, Erley & Co.
FTN Financial Capital Markets

MATURITY SCHEDULE
(Due September 1)

Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Number ^(c)	Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Number ^(c)
2016	\$ 70,000	2.000%	0.750%	970007ND8	2024 ^(a)	\$ 415,000	3.000%	1.800%	970007NM8
2017	80,000	2.000%	0.900%	970007NE6	2025 ^(a)	435,000	3.000%	1.900%	970007NN6
2018	85,000	2.000%	1.100%	970007NF3	2026 ^(a)	440,000	3.500%	2.000%	970007NP1
2019	85,000	2.000%	1.300%	970007NG1	2027 ^(a)	465,000	4.000%	2.030%	970007NQ9
2020	85,000	2.000%	1.450%	970007NH9	2028 ^(a)	475,000	4.000%	2.130%	970007NR7
2021	85,000	2.000%	1.600%	970007NJ5	2029 ^(a)	500,000	4.000%	2.180%	970007NS5
2022	410,000	3.000%	1.600%	970007NK2	2030 ^(a)	500,000	4.000%	2.230%	970007NT3
2023 ^(a)	415,000	3.000%	1.700%	970007NLO					
<p style="text-align: center;">\$1,160,000 4.000% Term Bond Due September 1, 2032 ^(a) Yield ^(b) 2.330% CUSIP Number 970007NV8 ^(c)</p> <p style="text-align: center;">\$670,000 4.000% Term Bond Due September 1, 2034 ^(a) Yield ^(b) 2.460% CUSIP Number 970007NX4 ^(c)</p>									

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, the Bonds maturing on and after September 1, 2023, in whole or from time to time in part, on September 1, 2022, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds maturing September 1, 2032 and September 1, 2034 (collectively, the “Term Bonds”) are also subject to mandatory sinking fund redemption. See “THE BONDS – Redemption.”
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first allowable redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriters (as herein defined). The yields may be changed at any time at the discretion of the Underwriters.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriters, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriters listed on the cover page of this Official Statement have agreed, subject to certain conditions, to purchase the Bonds from the District for \$6,859,213.16 (an amount equal to the principal amount of the Bonds, plus an original issue premium of \$549,550.55, less an Underwriters' discount of \$65,337.39).

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

Prices and Marketability

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

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

Securities Laws

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

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

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

MUNICIPAL BOND RATINGS

Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds.

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

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

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

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

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$479.6 million, \$42.3 million and \$437.3 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

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OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

The District Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 (the “District”), was legislatively created by House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, 1987 Texas General Laws, Chapter 650, now codified as Chapter 8486, Texas Special Districts Local Laws Code, as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution and operates under Chapters 49 and 54, Texas Water Code, as amended.

The District was created to provide water, wastewater and drainage services to the property within the District, which is currently being developed as a mixed-use development including single-family residential, multi-family residential, retail, commercial, as well as a golf course and clubhouse. The District has entered into utility construction agreements with certain developers within its boundaries in order to facilitate the construction of water, wastewater and drainage facilities to serve property within its boundaries. See “THE DISTRICT – General.”

Location The District includes approximately 751.26 acres of land located in the extraterritorial jurisdiction of the City of Hutto and is situated in southeastern Williamson County and in northeastern Travis County, Texas. The District is located immediately north of Priem Lane and immediately west of the State Highway 130 Toll Road. The northern part of the District lies approximately two miles south of the intersection of FM 685 and US Highway 79 (US 79). See “THE DISTRICT - Location.”

The Developers Five entities previously developed the single-family residential property within the District including: (i) SR Investments, Ltd., a Texas limited partnership whose general partner is Commerce Texas Properties, Inc., a Texas corporation (“SRI”); (ii) KPKM II Ventures, Ltd., a Texas limited partnership (“KPKMII”); (iii) PK-Tack, Ltd., a Texas limited partnership (“PK Tack”); (iv) Len-Buf Land Acquisition of Texas, LP, a Texas limited partnership (“Len-Buf”); and (v) PH SLII, LP, a Texas limited partnership. SRI is currently constructing the utility facilities to serve Star Ranch Phase 2, Section 1 (10.76 acres; expected to contain 57 duplex units and 1 commercial lot). KB Home Lone Star, Inc. (“KB Homes”) is currently constructing the Villas at Star Ranch Townhomes (19.99 acres; expected to contain 131 townhome units). Additionally, HEB Grocery Company, L.P. is currently constructing an approximately 120,000 square foot HEB Plus grocery store on approximately 30 acres. See “THE DEVELOPERS - Description of Developers” and “THE DISTRICT – Historical and Current Status of Development.”

Status of Development Development of the District commenced in 2000, and, as of April 1, 2016, approximately 612 acres (or 84.94% of the approximately 721 developable acres within the District) have been or are currently being developed with utility facilities. Approximately 286 acres have been developed as the single family residential subdivisions of: Star Ranch Sections 1, 2, 3, 5-1, 5-2, 7-1A and 7-1B; Forest Creek Sections 34, 35, 36, 37, 38 and 39; and Silver Leaf Section 1, Phase 1 and 2 encompassing a total of 970 developed single family lots, which includes 970 completed homes. Multi-family development includes the Orion Star Ranch Apartments (402 completed apartment units), the Links at Forest Creek Apartments (220 completed apartment units), the Fairways at Star Ranch Apartments (396 completed apartment units), 12 completed duplex buildings and 24 vacant duplex building lots (Star Ranch Sections 1, 4 and 2-1; total of 81 duplex units, of which 24 are complete and 57 are vacant), the Star Ranch Golf Townhomes (62 completed townhome units), and the Villas at Star Ranch Townhomes (expected to ultimately contain 131 townhomes within the District). Additional development within the District includes a daycare center, a 40,600 square foot medical/office building, a 55,951 square foot nursing home, the Longhorn Business Park office complex, and the Star Ranch Golf Course and Clubhouse. Additionally, HEB Grocery Company, L.P. began construction of an approximately 120,000 square foot HEB Plus grocery store on approximately 30 acres in February 2016, which is expected to be completed by November 2016. See “THE DISTRICT – Historical and Current Status of Development.”

Builder..... KB Homes is currently constructing townhomes in the Villas at Star Ranch Townhomes and has represented that the sales prices of townhomes being constructed generally range from approximately \$197,995 to \$243,995 with square footage ranging from approximately 1,340 to 2,495.

THE BONDS

Description..... The Bonds in the aggregate principal amount of \$6,375,000 mature serially in varying amounts on September 1 of each of the years 2016 through 2030, inclusive, and as Term Bonds which mature September 1, 2032 and September 1, 2034, as set forth on the inside cover page hereof, and are payable September 1, 2016 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."

Redemption..... The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2023, in whole or from time to time in part, on September 1, 2022, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds designated as Term Bonds maturing September 1, 2032 and September 1, 2034 are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." **The Bonds are obligations solely of the District and are not obligations of the City of Hutto, Texas; Williamson County, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.** See "THE BONDS - Source of and Security for Payment."

Payment Record..... The District has previously issued nine installments of new money bonds and four installments of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued obligations. The proceeds of each installment of new money bonds included up to 24 months of capitalized interest. See "FINANCIAL STATEMENT - Outstanding Bonds."

Authority for Issuance..... The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State, Chapter 1207 of the Texas Government Code, as amended, Chapters 49 and 54 of the Texas Water Code, as amended, an order adopted by the Board of Directors of the District on March 9, 2016 and a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"), and the general laws of the State of Texas (the "State") including House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, 1987 Texas General Laws, Chapter 650, now codified as Chapter 8486, Texas Special District Local Laws Code (the "Special Act"). See "THE BONDS - Authority for Issuance."

Use of Proceeds..... Proceeds from the sale of the Bonds will be used to (i) establish an escrow fund to currently refund a portion of the Unlimited Tax Refunding Bonds, Series 2010; (ii) establish an escrow fund to advance refund a portion of the Unlimited Tax Bonds, Series 2010A; and (iii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING."

Bonds Authorized But Unissued..... At elections held within the District on November 7, 2000 and May 12, 2012, voters within the District authorized a total of \$41,150,000 in new money bonds for water, wastewater, and drainage facilities, of which \$6,425,000 remains authorized but unissued. See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS". Additionally, the District has voted authority to issue refunding bonds pursuant to the election proposition in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued. Assuming the total amount of bonds authorized by the voters will be issued, the District is authorized to issue \$61,725,000 aggregate principal amount of refunding bonds. The District has previously issued four series of refunding bonds, which used \$3,232,190.65 in refunding authorization, and the issuance of the Bonds will use an additional \$484,213.16 of the District's voted authorization of refunding bonds. After the issuance of the

bonds, \$58,008,596.19 of voted authorization of refunding bonds will remain unissued. In the event that the District does not issue the total amount of bonds authorized, the amount of authorized refunding bonds could be limited to 1.5 times the principal amount of bonds then issued.

Municipal Bond Ratings

And Bond Insurance..... Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P") has assigned a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bonds.

Qualified Tax-Exempt

Obligations The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2016 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions."

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

General Counsel Armbrust & Brown PLLC, Austin, Texas.

Financial Advisor Public Finance Group LLC, Austin, Texas.

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2015 Certified Assessed Valuation	\$395,981,763	(a)
2016 Preliminary Assessed Valuation	\$425,417,868	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 32,970,000	(c)
Ratio of Gross Debt to 2015 Certified Assessed Valuation	8.33%	
Ratio of Gross Debt to 2016 Preliminary Assessed Valuation	7.75%	
2015 Tax Rate		
Debt Service	\$ 0.5606	
Maintenance	0.1700	
Total 2015 Tax Rate	<u>\$ 0.7306</u>	(d)
Debt Service Fund Balance (as of April 13, 2016)	\$ 2,358,426	(e)
Percentage of current tax collections (Tax Years 2005-2015)	98.32%	(f)
Percentage of total tax collections (Tax Years 2005-2015)	99.44%	(f)
Average Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Average Requirement") (2016-2035, inclusive)	\$ 2,196,570	
Tax Rate required to pay Average Requirement based upon 2015 Certified Assessed Valuation at 95% collections	\$ 0.59 /\$100 AV	
Tax Rate required to pay Average Requirement based upon 2016 Preliminary Assessed Valuation at 95% collections	\$ 0.55 /\$100 AV	
Maximum Annual Debt Service Requirement of the Bonds and Outstanding Bonds ("Maximum Requirement") (2035)	\$ 2,529,369	
Tax Rate required to pay Maximum Requirement based upon 2015 Certified Assessed Valuation at 95% collections	\$ 0.68 /\$100 AV	
Tax Rate required to pay Maximum Requirement based upon 2016 Preliminary Assessed Valuation at 95% collections	\$ 0.63 /\$100 AV	
Number of active connections as of March 1, 2016		
Single Family - Occupied	968	
Single Family - Vacant	2	
Single Family - Builder	21	
Single Family - Vacant Builder	2	
Duplex/Townhome	71	
Multifamily (1,018 total units/ 967 units occupied)	220	
Commercial	8	
School	1	
Other	<u>12</u>	
Total Number of Active Connections	1305	
Estimated Population as of March 1, 2016	5,983	(g)

- (a) Assessed valuation of the District as of January 1, 2015 as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Preliminary assessed valuation of the District as of January 1, 2016 as provided by "WCAD and TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied a 2015 tax rate of \$0.7306 at its meeting in September 2015.
- (e) Unaudited as of April 13, 2016. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections."
- (g) Based upon 3.5 residents per occupied single family home and 2.5 residents per occupied multi-family unit. According to the leasing staffs at the apartment complexes, as of February 1, 2016, the apartments were 95% occupied (967 units out of 1,018 units).

OFFICIAL STATEMENT
relating to
\$6,375,000
Williamson County Water, Sewer, Irrigation, and Drainage District No. 3
(A Political Subdivision of the State of Texas Located in Williamson and Travis Counties, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2016

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 (the "District") of its \$6,375,000 Unlimited Tax Refunding Bonds, Series 2016 (the "Bonds").

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on March 9, 2016, and a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"), the Constitution and general laws of the State of Texas (the "State") including House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, 1987 Texas General Laws, Chapter 650, now codified as Chapter 8486, Texas Special District Local Laws Code (the "Special Act"), Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas, 78701 or from the District's Financial Advisor, Public Finance Group LLC, 7004 Bee Cave Road, Building 3, Suite 315, Austin, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

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

PLAN OF FINANCING

Purpose

The Bonds are being issued to achieve a debt service savings in the years 2016 through 2034, inclusive, by refunding \$3,930,000 of the Unlimited Tax Refunding Bonds, Series 2010 and \$2,445,000 of the Unlimited Tax Bonds, Series 2010A (the "Refunded Bonds"). See "DEBT SERVICE REQUIREMENTS."

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The Refunded Bonds

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

Year	Series 2010	Series 2010A	Total
2017	\$ 60,000	\$ -	\$ 60,000
2018	65,000	-	65,000
2019	65,000	-	65,000
2020	70,000	-	70,000
2021	70,000	-	70,000
2022	295,000	100,000	395,000
2023	305,000	100,000	405,000
2024	310,000	100,000	410,000
2025	310,000	125,000	435,000
2026	320,000	125,000	445,000
2027	325,000	150,000	475,000
2028	335,000	150,000	485,000
2029	340,000	175,000	515,000
2030	345,000	175,000	520,000
2031	355,000	200,000	555,000
2032	360,000	300,000	660,000
2033	-	350,000	350,000
2034	-	395,000	395,000
	\$ 3,930,000	\$ 2,445,000	\$ 6,375,000
Redemption Date:	9/1/2016	9/1/2017	

At elections held within the District on November 7, 2000 and May 12, 2012, voters within the District authorized a total of \$41,150,000 in new money bonds for water, wastewater, and drainage facilities, of which \$6,425,000 remains authorized but unissued. See "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized but Unissued" and "THE BONDS." Additionally, the District has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued. Assuming the total amount of bonds authorized by the voters will be issued, the District is authorized to issue \$61,725,000 aggregate principal amount of refunding bonds. The District has previously issued four series of refunding bonds, which used \$3,232,190.65 in refunding authorization, and the issuance of the Bonds will use an additional \$484,213.16 of the District's voted authorization of refunding bonds. After the issuance of the bonds, \$58,008,596.19 of voted authorization of refunding bonds will remain unissued (assuming the District issues its full amount of voter authorized new money bonds). In the event that the District does not issue the total amount of bonds authorized, the amount of authorized refunding bonds could be limited to 1.5 times the principal amount of bonds then issued.

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The Remaining Outstanding Bonds

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

Year	Series 2009	Series 2010	Series 2010A	Series 2011	Series 2012	Series 2013	Series 2013A	Series 2013B	Series 2015	Series 2015A	The Bonds	Total
2016	\$ 150,000	\$ 60,000	\$ 5,000	\$ 5,000	\$ 245,000	\$ 10,000	\$ 395,000	\$ 5,000	\$ 55,000	\$ 5,000	\$ 70,000	\$ 1,005,000
2017	-	-	5,000	5,000	480,000	10,000	190,000	5,000	210,000	5,000	80,000	990,000
2018	-	-	5,000	5,000	655,000	10,000	10,000	5,000	205,000	5,000	85,000	985,000
2019	-	-	5,000	5,000	685,000	10,000	10,000	5,000	220,000	5,000	85,000	1,030,000
2020	-	-	5,000	5,000	685,000	20,000	10,000	5,000	215,000	25,000	85,000	1,055,000
2021	-	-	5,000	5,000	715,000	100,000	10,000	5,000	210,000	25,000	85,000	1,160,000
2022	-	-	-	5,000	500,000	125,000	10,000	5,000	230,000	25,000	410,000	1,310,000
2023	-	-	-	5,000	530,000	125,000	10,000	5,000	230,000	25,000	415,000	1,345,000
2024	-	-	-	5,000	530,000	125,000	15,000	5,000	255,000	25,000	415,000	1,375,000
2025	-	-	-	5,000	555,000	150,000	15,000	5,000	250,000	25,000	435,000	1,440,000
2026	-	-	-	5,000	580,000	150,000	15,000	5,000	275,000	25,000	440,000	1,495,000
2027	-	-	-	5,000	615,000	150,000	15,000	5,000	270,000	25,000	465,000	1,550,000
2028	-	-	-	5,000	645,000	150,000	15,000	5,000	290,000	50,000	475,000	1,635,000
2029	-	-	-	5,000	245,000	175,000	415,000	5,000	310,000	50,000	500,000	1,705,000
2030	-	-	-	5,000	260,000	200,000	405,000	5,000	305,000	50,000	500,000	1,730,000
2031	-	-	-	5,000	-	225,000	425,000	5,000	325,000	50,000	530,000	1,565,000
2032	-	-	-	5,000	-	225,000	-	5,000	345,000	50,000	630,000	1,260,000
2033	-	-	-	250,000	-	225,000	-	5,000	340,000	75,000	315,000	1,210,000
2034	-	-	-	600,000	-	250,000	-	850,000	-	75,000	355,000	2,130,000
2035	-	-	-	1,045,000	-	250,000	-	875,000	-	75,000	-	2,245,000
2036	-	-	-	-	-	250,000	-	900,000	-	75,000	-	1,225,000
2037	-	-	-	-	-	-	-	950,000	-	100,000	-	1,050,000
2038	-	-	-	-	-	-	-	-	-	1,200,000	-	1,200,000
2039	-	-	-	-	-	-	-	-	-	1,275,000	-	1,275,000
	<u>\$ 150,000</u>	<u>\$ 60,000</u>	<u>\$ 30,000</u>	<u>\$ 1,980,000</u>	<u>\$ 7,925,000</u>	<u>\$ 2,935,000</u>	<u>\$ 1,965,000</u>	<u>\$ 3,665,000</u>	<u>\$ 4,540,000</u>	<u>\$ 3,345,000</u>	<u>\$ 6,375,000</u>	<u>\$ 32,970,000</u>

The Escrow Agreement

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

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

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the District will have effected the defeasance of the Refunded Bonds pursuant to the terms of the Bond Order authorizing the issuance of such Refunded Bonds and in accordance with State law and in reliance upon the Verification Report described below. It is the opinion of Bond Counsel that, as a result of such defeasance and in reliance upon the Verification Report of Grant Thornton, L.L.P., the Refunded Bonds are deemed to have been fully paid and no longer outstanding, except for the purpose of being paid from funds provided therefore in the Escrow Agreement and the District will have no further responsibility with respect to amounts available for the payment of such defeased bonds including any insufficiencies including failure of the Escrow Agent to receive payment when due on the Federal Securities.

Sources and Uses of Funds

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

Sources of Funds:

Par Amount of Bonds	\$6,375,000.00
Original Issue Premium	<u>549,550.55</u>
Total Sources of Funds	\$6,924,550.55

Uses of Funds:

Escrow Deposit	\$6,619,988.05
Costs of Issuance ^(a)	236,679.33
Underwriters’ Discount	65,337.39
Deposit to Debt Service Fund (Rounding Amount)	<u>2,545.78</u>
Total Uses of Funds	\$6,924,550.55

(a) Includes municipal bond insurance premium.

THE BONDS

General Description

The Bonds will bear interest from the date of delivery, June 8, 2016, 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, 2016 and each March 1 and September 1 thereafter until maturity and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC's book-entry-only system (the "Book-Entry-Only System"). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is BOKF, NA, Austin, Texas (the "Paying Agent").

Redemption

Optional Redemption . . . The Bonds maturing on and after September 1, 2023, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on September 1, 2022, or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Mandatory Sinking Fund Redemption . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2032 and September 1, 2034 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:

\$1,160,000 Term Bond Maturing September 1, 2032		\$670,000 Term Bond Maturing September 1, 2034	
Mandatory Redemption	Principal	Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>	<u>Date</u>	<u>Amount</u>
2031	\$ 530,000	2033	\$ 315,000
2032*	630,000	2034*	355,000

* Stated Maturity.

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

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

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

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

DTC Redemption Provision

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

Termination of Book-Entry-Only System

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

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

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

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

Replacement Bonds

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

Authority for Issuance

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on March 9, 2016, and a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"), the Constitution and general laws of the State of Texas (the "State") including House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, 1987 Texas General Laws, Chapter 650, now codified as Chapter 8486, Texas Special District Local Laws Code (the "Special Act"), Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

Source of and Security for Payment

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

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

Payment Record

The District has previously issued nine installments of new money bonds for water, wastewater and drainage facilities and four installments of refunding bonds. The District has never defaulted on the timely payment of principal and interest on its previously issued obligations entitled: \$3,875,000 Unlimited Tax Bonds, Series 2006 (the "Series 2006 Bonds"); \$6,250,000 Unlimited Tax Bonds, Series 2007 (the "Series 2007 Bonds"); \$5,225,000 Unlimited Tax Bonds, Series 2008 (the "Series 2008 Bonds"); \$4,900,000 Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); \$4,350,000 Unlimited Tax Refunding Bonds, Series 2010 (the "Series 2010 Bonds"); \$2,500,000 Unlimited Tax Bonds, Series 2010A (the "Series 2010A Bonds"); \$2,000,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"); \$8,290,000 Unlimited Tax Refunding Bonds, Series 2012 (the "Series 2012 Bonds"); \$2,950,000 Unlimited Tax Bonds, Series 2013 (the "Series 2013 Bonds"); \$2,585,000 Unlimited Tax Refunding Bonds, Series 2013A (the "Series 2013A Bonds"); \$3,675,000 Unlimited Tax Bonds, Series 2013B (the "Series 2013B Bonds"); \$4,645,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Bonds"); and \$3,350,000 Unlimited Tax Bonds, Series 2015A (the "Series 2015A Bonds") (collectively, the "Outstanding Bonds"). The proceeds of each installment of new money bonds included up to 24 months of capitalized interest.

Flow of Funds

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

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

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

Defeasance of Outstanding Bonds

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

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

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

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

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

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

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

Paying Agent/Registrar

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

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

Record Date

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

Issuance of Additional Debt

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District's voters. At elections held within the District on November 7, 2000 and May 12, 2012, voters within the District authorized a total of \$41,150,000 in new money bonds for water, wastewater, and drainage facilities, of which \$6,425,000 remains authorized but unissued. Additionally, the District has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued. Assuming the total amount of bonds authorized by the voters will be issued, the District is authorized to issue \$61,725,000 in refunding bonds. The District has previously issued four series of refunding bonds, which used \$3,232,190.65 in refunding authorization, and the issuance of the Bonds will use an additional \$484,213.16 of the District's voted authorization of refunding bonds. After the issuance of the bonds, \$58,008,596.19 of voted authorization of refunding bonds will remain unissued (assuming the District issues its full amount of voter authorized new money bonds). In the event that the District does not issue the total amount of bonds authorized, the amount of authorized refunding bonds could be limited to 1.5 times the principal amount of bonds then issued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued."

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code authorizes certain districts, such as the District, to issue bonds, subject to voter approval and the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of certain park and recreational facilities (other than swimming pools and golf courses). To date, the District has not voted any bonds for park and recreational facilities. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness which may be issued by the District. Any additional indebtedness issued by the District may dilute the security of the Bonds. See "INVESTMENT CONSIDERATIONS."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The

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

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water and wastewater systems with the water and wastewater system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will not consolidate its water and wastewater system with any other district.

Annexation

At the time of creation, the District contained approximately 368.07 acres of land. Since that time, the District has undertaken six annexations of land and one exclusion of land resulting in the current District acreage of approximately 751.26 acres.

The District lies entirely within the extraterritorial jurisdiction of the City of Hutto, Texas ("Hutto" or the "City"). Under Texas law, the District may be annexed by the City without the District's consent. Upon annexation, the City would assume the District's assets and obligations, including the Bonds, and dissolve the District. The District has no control or knowledge of the annexation plans of the City. Therefore, no prediction can be made regarding the likelihood or timing of any annexation or the ability of the City to make debt service payments should annexation occur. See "THE DISTRICT - Strategic Partnership Agreement."

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: (i) upon satisfying certain conditions, annex additional territory; and (ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

Approval of the Bonds

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

Amendments to the Bond Order

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

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

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

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, interest and principal payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, interest and principal payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered to each Beneficial Owner.

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

In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Bond Order will be given only to DTC.

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on construction activity, particularly short-term interest rates at which the Developers and homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economics.

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

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

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

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2015 Certified Assessed Valuation of the District is \$395,981,763. After issuance of the Bonds, the Maximum Requirement will be \$2,529,369 (2035) and the Average Requirement will be \$2,196,570 (2016 through 2035, inclusive). Assuming (1) no increase or decrease from the 2015 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.68 and \$0.59 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's 2016 Preliminary Assessed Valuation is \$425,417,868. Based upon the assumptions above, tax rates of \$0.63 and \$0.55 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

Tax Collections and Foreclosure Remedies

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

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether Section 49.066 of the Texas Water Code effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property or to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bond Insurance Risks

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

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the

Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

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

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

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

Bankruptcy Limitation to Registered Owners' Rights

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

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

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

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

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

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

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

The District reserves the right in the Bond Order to issue the remaining \$6,425,000 authorized but unissued new money bonds (see "UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED"), and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. All of the remaining \$6,425,000 bonds which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of the TCEQ, from time to time. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

No Requirement to Build on Developed Lots

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

Forward-Looking Statements

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

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

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

Tax Exempt Property – Strategic Housing Finance Corporation of Travis County

Within the portion of the District located in Travis County there is the potential for property to be owned by the "Strategic Housing Finance Corporation of Travis County" ("SHFC"), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the

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

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.

Environmental Regulation

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

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

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

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

In 1997, the EPA adopted an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

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

Should the Austin Area fail to achieve attainment under an EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA's implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper

SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

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

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

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

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

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

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

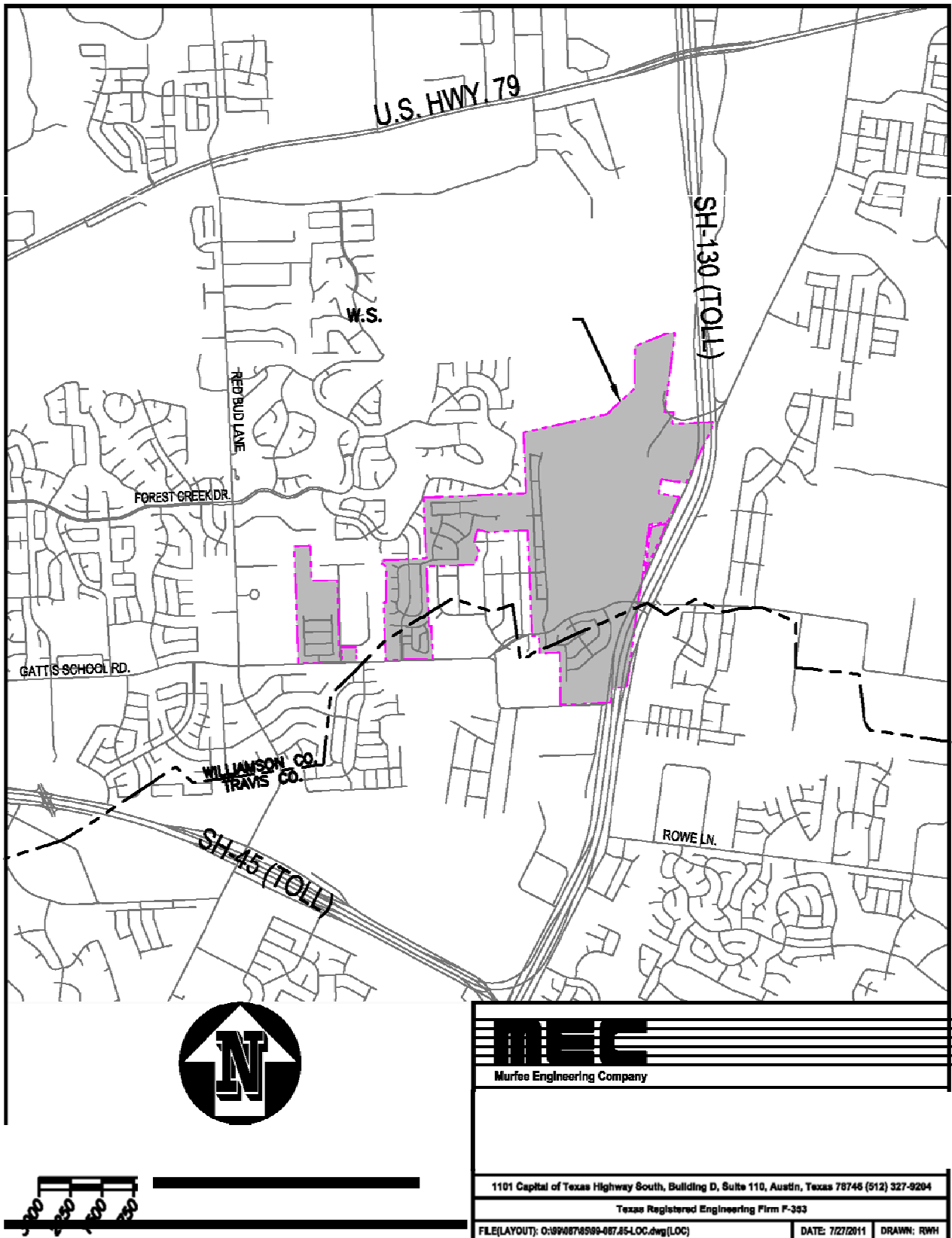
Operations of the District are also potentially subject to requirements and restrictions under the Clean Water Act regarding the use and alteration of wetland areas that are within the "waters of the United States." The District must obtain a permit from the U.S. Army Corps of Engineers if operations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

Drought Conditions

Central Texas, like other areas of the State, is susceptible to drought conditions. The District adopted a water conservation and drought contingency plan and currently has implemented voluntary water restrictions for residents of the District. Manville Water Supply Corporation ("MWSC") provides water to the District in amounts sufficient to service the residents of the District, however, if the District experiences drought conditions, water usage and rates could be impacted.

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LOCATION MAP



THE DISTRICT

General

The District was legislatively created by the Special Act as a conservation and reclamation district under Article XVI, Section 59 of the Texas Constitution and operates under the Special Act, and Chapters 49 and 54, Texas Water Code, as amended.

The District was created to provide water, wastewater and drainage services to the property within the District currently being developed as a mixed-use development including Star Ranch, Forest Creek and Silver Leaf subdivisions as well as the Star Ranch Golf Course and Clubhouse, multi-family development, and commercial and retail development. The District has entered into utility construction agreements with the Developers in order to facilitate the construction of water, wastewater and drainage facilities to serve property within its boundaries.

Management of the District

Board of Directors

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

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires November</u>
Rance Richter	President	17-½ years	2016
Jim Goldrick	Vice President	17-½ years	2016
Bob Dickerson	Director	7 years	2018
Daniel Bates	Secretary / Treasurer	17-½ years	2018
Lee Buckley	Asst. Secretary/Treasurer	17-½ years	2016

Consultants

Tax Assessor/Collector

The portion of land and improvements in the District that is located in Williamson County is being appraised by the Williamson Central Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Williamson County Tax Assessor/Collector, Ms. Deborah Hunt, currently serves the District in this capacity under contract for the portions of the District located in Williamson County.

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

General Manager

The District contracts with Crossroads Utility Services LLC ("Crossroads") to serve as the General Manager and Operator for the District. Crossroads serves in a similar capacity for 28 other special districts in the Austin metropolitan area.

Engineer

The District's consulting engineer is Murfee Engineering Company, Inc. Such firm serves as consulting engineer to 20 other special districts.

Bookkeeper

Bott & Douthitt, PLLC, certified public accountants, serves as bookkeeper to the District. Such firm serves as bookkeeper to 65 other special districts.

Financial Advisor

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

Bond Counsel

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

General Counsel

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

Location

The District is located entirely within the extraterritorial jurisdiction of the City of Hutto, Texas (the "City" or "Hutto") and lies within both Williamson County and Travis County, Texas. The District is located immediately north of Priem Lane and immediately west of State Highway 130. The northern part of the District begins almost two miles south of the intersection of FM 685 and US 79.

The District as originally created by the Special Act contained approximately 368.07 acres. Since creation, the District has approved six annexations and one exclusion resulting in the District's existing acreage of approximately 751.26 acres.

Historical and Current Status of Development

Land Acquisition... The District as originally created by the Special Act in 1987 contained 368.07 acres comprised of two contiguous tracts of land including approximately 290.22 acres (the "Original Tract") owned by Theodor Timmerman, Earl Hagn and Tim Timmerman, each owning an undivided interest and 77.85 acres owned by Timmerman Investments. From 1987 until 1999, no development or change in boundaries occurred within the District. In 1999, 29.26 acres were excluded from the District's boundaries and 275.35 acres were annexed into the District boundaries. In September 2001, approximately 64 acres owned by KPKMII were annexed into the District. In January 2006, approximately 58.46 acres owned by Len-Buf Land Acquisition of Texas, LP were annexed into the District. In July 2008, approximately 3.18 acres were annexed into the District. Finally, in January 2014, approximately 5.06 acres were annexed into the District, bringing the total acreage within the District to 751.26, as reflected on the District's most recent boundary map, which the surveyor who prepared such boundary map has certified as a more accurate description than manually adding and subtracting the land annexed and excluded from the District over time.

In June 1997, Theodor Timmerman, Earl Hagn and Tim Timmerman contributed the Original Tract and became limited partners in Brushy Creek, Ltd. ("BCL"), a Texas limited partnership whose general partner is Commerce Texas Properties, Inc. ("Commerce Properties"), a Texas corporation wholly owned by Tim Timmerman, who serves as president. Since that time, the limited partnership interests of BCL have been purchased and transferred to the Timmerman Family Limited Partnership, a Texas limited partnership comprised of Tim Timmerman and his family.

The 77.85 acre tract was purchased by PK-TACK, Ltd., a Texas limited partnership comprised of TACK Development Company, Inc. ("Tack Development"), a Texas corporation as general partner and KPKMII, a Texas limited partnership as a limited partner which is currently comprised of Russell Parker, Maxwell United Holdings, LP, Thomas and Grace Maxwell Family Partnership and Clarence J. and Bernadette M. Kellerman Trust, as limited partners and KPKM, Inc., as general partner, which is a Texas corporation owned by Russell Parker and Clarence J. Kellerman.

In 1999, Tim Timmerman entered in a contract to purchase approximately 200 acres from Earl Klattenhoff and closed on 65 acres. Timmerman contributed a portion of 65 acres to SR Investments, Ltd. ("SRI"), a Texas limited partnership comprised of Timmerman Family Limited Partnership, as the limited partner and Commerce Properties, as general partner. SRI purchased additional acreage from BCL to develop Star Ranch Section 1.

Property within the District has been developed as mixed use including single family homes, apartments, townhomes, duplexes, retail and commercial improvements as well as the Star Ranch Golf Course and Clubhouse.

Star Ranch Golf Course and Clubhouse... In 2000, OLY Star Ranch General Partnership constructed the Star Ranch Golf Course and Club House on approximately 180 acres within the District consisting of an 18-hole golf course and a 15,000 square foot Club House which includes a restaurant, pro shop and meeting rooms. Star Ranch Golf Course is currently owned by Star Golf Partners Ltd., a Texas limited partnership, comprised of limited partners Tack Development, Timmerman Hagn Ltd., Ray C. Wicken, MTJC Development, LLC, and Ricky Heine; and SGP Investments LLC, as general partner, a limited liability company for which Tim Timmerman is the sole member. The Star Ranch Golf Course is a daily fee golf course open to the public.

Apartment Complex Development... Trammell Crow Residential purchased approximately 22 acres within the District at the beginning of 2008 to develop a 396 unit apartment complex, now called the Fairways at Star Ranch Apartments. Construction began in March 2008 and was completed in May 2009. In May 2008, Trada Partners XII, LP ("Trada") completed construction on a 15.84 acre tract in Forest Creek Section 39, developed into a 55 building, 220 unit apartment project, now called the Links at Forest Creek. Western Rim Investors 2008-4, LP, a Texas limited partnership ("Western") purchased approximately 21 acres within the District in December 2008 to develop a 402 unit apartment complex now called the Orion Star Ranch Apartments. Construction began in January 2009 and was completed in November 2010.

Star Ranch Golf Townhomes.... Tack Townhomes, LLC constructed the Star Ranch Golf Townhomes, a 62 unit townhome complex on approximately 6.99 acres, which were completed in the first quarter of 2015.

Villas at Star Ranch Townhomes (Parcel 23).... KB Home Lone Star, Inc. ("KB Homes") purchased 20.97 acres from Tack Development and completed the utility facilities to serve Parcel 23 in September 2015, which KB Homes developed as the Villas at Star Ranch

Townhomes. Parcel 23 lies within both the District and Williamson County MUD No. 22 ("WCMUD22"). Of the 136 townhomes in Parcel 23, 131 townhomes are within the District and 5 townhomes are within WCMUD22. The total platted acreage is 20.97 acres with 19.99 acres in the District. KB Homes is currently constructing townhomes in Parcel 23 as the Villas at Star Ranch Townhomes and has represented that the sales prices of townhomes being constructed generally range from approximately \$197,995 to \$243,995 with square footage ranging from approximately 1,340 to 2,495.

Residential Development... *Star Ranch, Section 1.* In 2002 SRI completed the development of utility facilities to serve Star Ranch, Section 1 (23.85 acres, originally platted as 99 single family lots but subsequently re-platted as 59 single family lots and eighteen duplex units). Star Ranch, Section 1 is completely built out and contains 59 completed homes and 18 completed duplex units.

Star Ranch, Phase 2, Section 1. SRI completed the development of utility facilities to serve Star Ranch, Phase 2, Section 1 (10.76 acres, platted as 24 duplex building lots (57 duplex units) and 1 commercial lot) in April 2016.

Star Ranch, Section 2. BCL completed the development of utility facilities to serve Star Ranch, Section 2 (15.32 acres, platted as 64 single family lots) in the first quarter of 2005. Star Ranch, Section 2 is completely built out and contains 64 completed homes.

Star Ranch, Section 3. In January 2007, SRI completed the development of utility facilities to serve Star Ranch, Section 3 (8.31 acres, platted as 37 single family lots). Star Ranch, Section 3 is completely built out and contains 37 completed homes.

Star Ranch, Section 4. In 2006, SRI completed the development of utility facilities to serve Star Ranch, Section 4 (5.99 acres, platted as four retail/commercial lots and three residential duplex lots). The residential portion of Star Ranch, Section 4 is completely built out and contains six completed duplex units.

Star Ranch, Section 5, Phase 1. In July 2007, SRI completed the development of utility facilities to serve Star Ranch, Section 5, Phase 1 (24.51 acres, platted as 87 single family lots). Star Ranch, Section 5, Phase 1 is completely built out and contains 87 completed homes.

Star Ranch, Section 5, Phase 2. In October 2008, SRI completed the development of utility facilities to serve Star Ranch, Section 5, Phase 2 (16.06 acres, platted as 50 single family lots). Star Ranch, Section 5, Phase 2 is completely built out and contains 50 completed homes.

Star Ranch, Section 7, Phase 1A. In January 2012, SRI completed the development of utility facilities to serve Star Ranch, Section 7, Phase 1A. Star Ranch, Section 7, Phase 1A lies within both the District and WCMUD22. Of the 53 lots in the section, 27 lots are within the District and 26 lots are within WCMUD22. The total platted acreage is 13.58 acres with 8.49 acres in the District. Star Ranch, Section 7, Phase 1A is completely built out and contains 27 completed homes within the District.

Star Ranch, Section 7, Phase 1B. In June 2012, SRI completed the development of utility facilities to serve Star Ranch, Section 7, Phase 1B. Star Ranch Section 7, Phase 1B lies within both the District and WCMUD22. Of the 57 lots in the subdivision, 7 lots are within the District and 50 lots are within MUD No. 22. The total platted acreage is 13.55 acres with 1.38 acres in the District. Star Ranch Section 7, Phase 1B is completely built out and contains 7 completed homes.

Forest Creek, Section 34. KPKMII completed the development of utility facilities to serve Forest Creek, Section 34 (27.10 acres, platted as 105 single family lots) in the second quarter of 2005. According to KPKMII, all of the 105 single family lots in Section 34 have been purchased by Bowen Family Homes (53 lots) and Ryland Homes (52 lots). Forest Creek, Section 34 is completely built out and contains 105 completed homes.

Forest Creek, Section 35. PK Tack completed the development of utility facilities to serve Forest Creek, Section 35 (24.69 acres, platted as 97 single family lots) in January 2006. Forest Creek, Section 35 is completely built out and contains 97 completed homes.

Forest Creek, Section 36. PK Tack completed the development of utility facilities to serve Forest Creek, Section 36 (27.83 acres, platted as 95 single family lots) in 2008. Forest Creek, Section 36 is completely built out and contains 95 completed homes.

Forest Creek, Section 37. In January 2012, PK Tack completed the development of utility facilities to serve Forest Creek, Section 37 (23.07 acres, platted as 88 single family lots). Forest Creek, Section 37 is completely built out and contains 88 completed homes.

Forest Creek, Section 38. KPKMII completed the development of utility facilities to serve Forest Creek, Section 38 (16.66 acres, platted as 58 single family lots) in 2009. Forest Creek, Section 38 is completely built out and contains 58 completed homes.

Silver Leaf, Section 1. Len-Buf Land Acquisition of Texas, LP ("Len-Buf"), a Texas limited partnership, whose current general partner is Buffington Land Management, LLC, a Texas limited liability company, and whose only limited partner is Buffington Land, Ltd., a Texas limited partnership, completed construction of Silver Leaf, Section 1 (29.04 acres platted as 114 single family lots) in the fourth quarter of 2006. Len-Buf was originally formed by Lennar Texas Holding Company, a Texas corporation, and Buffington JV Fund Management, LLC, a Texas limited liability company, as general partners, and Lennar Homes of Texas Land and Construction and Buffington JV Fund II, Ltd., a Texas limited partnership, as limited partners. On June 1, 2008, Lennar Texas Holding Company and Lennar Homes of Texas Land and Construction assigned their respective interests in Len-Buf to Buffington JV Fund Management, LLC and Buffington JV Fund II, Ltd.; and contemporaneous with such assignment, Buffington JV Fund Management, LLC and Buffington JV Fund II, Ltd. (together with several other real estate development entities) were merged into Buffington Land, Ltd. Silver Leaf, Section 1 is completely built out and contains 114 completed homes.

Silver Leaf, Section 2. PH SLII, LP ("SLII"), a Texas limited partnership, completed the development of utility facilities to serve Silver Leaf, Section 2 (29.41 acres, platted as 82 single family lots) in 2013. SLII acquired the 29.41 acres from Len-Buf on June 12, 2012 and SLII's current general partner is PH SLII Management LLC, a Texas limited liability company whose sole member is Buffington Land Group Management, LLC, a Texas limited liability company. Silver Leaf, Section 2 is completely built out and contains 82 completed homes.

Retail/Commercial Development... Other than the Star Ranch Golf Course and Clubhouse, to date, approximately 55.79 additional acres within the District have been or are currently being developed as retail or commercial, and approximately 71.16 acres remain undeveloped. Additionally, Tack Development and SRI have informed the District that they sold a 30 acre tract of land within the District to HEB Grocery Company, L.P. for the development of a HEB Plus Grocery Store, retail and commercial pad sites in April 2006. HEB began construction of an approximately 120,000 square foot HEB Plus Store in February 2016, which is expected to be completed by November 2016. SRI plans to develop the balance of the site (approximately 9 acres) into additional retail and commercial pad sites.

Star Ranch, Section 4. All utility facilities to serve Star Ranch, Section 4 (5.99 acres, platted as four retail/commercial lots and six residential duplex units) have been completed. The District can give no assurances whether improvements to the four retail/commercial lots within Star Ranch, Section 4 will occur. The residential portion of Star Ranch, Section 4 is completely built out and contains six completed duplex units.

Star Ranch, Section 6. All utilities to serve Star Ranch, Section 6 (1.54 acres) have been completed. According to SRI, all 1.54 acres in Section 6 have been sold to IBC Bank.

Forest Creek, Section 39 West. All utility facilities to serve Forest Creek, Section 39 West (7.47 acres) have been completed and a 40,600 square foot medical/office center on 5.85 acres and a daycare center on 1.62 acres have been constructed.

Longhorn Business Park. The Longhorn Business Park, a fully developed commercial office complex on approximately 5.06 acres, was annexed into the District in January 2014.

Hutto Nursing Center. Tack Development completed construction of a 55,951 square foot nursing home on approximately 5.732 acres, in early 2015.

HEB Star Ranch Commercial Center... Approximately 30 acres at the intersection of Gattis School Road and SH 130 was sold to HEB Grocery Company, L.P. in April, 2006. HEB began construction of an approximately 120,000 square foot HEB Plus Store in February 2016, which is expected to be completed by November 2016. SRI plans to develop the balance of the site (approximately 9 acres) into additional retail and commercial pad sites.

Status of Development

As of April 1, 2016, there are approximately 108.60 acres within the District which remain undeveloped but are developable. Of such remaining developable acreage, approximately 56.12 acres are owned by Tack Development, approximately 12.39 acres are owned by BCL, and approximately 26.52 acres are owned by Earl Klattenhoff. The balance of the undeveloped property is owned by others.

The following chart more completely describes the status of development within the District as of April 1, 2016:

(Chart appears on following page)

Section	Acreage	Platted Lots		Completed Units		Under Construction		Vacant Units	
		Single Family	Duplex	Single Family	Duplex	Single Family	Duplex	Single Family	Duplex
A. Single Family Developed with Utility Facilities									
Star Ranch									
Section 1	23.85	59	18	59	18	-	-	-	-
Section 2	15.32	64	-	64	-	-	-	-	-
Section 3	8.31	37	-	37	-	-	-	-	-
Section 4	0.50	-	6	-	6	-	-	-	-
Section 5 Phase 1	24.51	87	-	87	-	-	-	-	-
Section 1 Phase 2	10.76	-	57	-	-	-	-	-	57
Section 5 Phase 2	16.06	50	-	50	-	-	-	-	-
Section 7 Phase 1-A	7.17	27	-	27	-	-	-	-	-
Section 7 Phase 1-B	1.38	7	-	7	-	-	-	-	-
subtotal	107.86	331	81	331	24	-	-	-	57
Forest Creek									
Section 34	27.10	105	-	105	-	-	-	-	-
Section 35	24.69	97	-	97	-	-	-	-	-
Section 36	27.83	95	-	95	-	-	-	-	-
Section 37	23.07	88	-	88	-	-	-	-	-
Section 38	16.66	58	-	58	-	-	-	-	-
subtotal	119.35	443	-	443	-	-	-	-	-
Silver Leaf									
Section 1	29.04	114	-	114	-	-	-	-	-
Section 2	29.41	82	-	82	-	-	-	-	-
subtotal	58.45	196	-	196	-	-	-	-	-
Total Single Family developed with Utilities									
	285.66	970	81	970	24	-	-	-	57
B. Other Developed with Utility Facilities or Under Construction									
Apartments (1,018 Units) ^(a)	58.84								
Retail ^(b)	15.00								
Star Ranch Golf Townhomes ^(c)	6.99								
Longhorn Business Park ^(d)	5.06								
Nursing Home ^(e)	5.73								
Golf Course/Clubhouse	185.20								
Villas at Star Ranch Townhomes ^(f)	19.99								
HEB Grocery Store ^(g)	30.00								
Total Other Developed or Under Constructio	326.81								
Total Developed or Under Construction	612.46								
C. Remaining Developable Acreage									
Single Family &/or Townhomes	37.44								
Retail/Commercial	71.16								
Total	108.60								
D. Undevelopable									
Open space/utilities	30.19								
Total District Acreage	751.26								

(Footnotes appear on following page)

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- (a) Includes the Fairways at Star Ranch Apartments (22.00 acres; 396 units), Orion Star Ranch Apartments (21.00 acres; 402 units) and the Links at Forest Creek (15.84 acres; 220 units).
 - (b) Includes Star Ranch Section 4 (5.99 acres), Star Ranch Section 6 (1.54 acres) and Forest Creek Section 39 West (7.47 acres)
 - (c) The Star Ranch Golf Townhomes contain 62 townhome units on approximately 6.99 acres.
 - (d) In January 2014, the Longhorn Business Park, a fully developed commercial office complex on approximately 5.06 acres, was annexed into the District.
 - (e) Opened in February 2015.
 - (f) KB Homes completed the utility facilities to serve Parcel 23 in September 2015, developed as the Villas at Star Ranch townhomes and expected to ultimately contain 131 townhome units within the District.
 - (g) In February 2016, HEB Grocery Company, L.P. began construction of an approximately 120,000 square foot HEB Plus grocery store, which is expect to be completed by November 2016.

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Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any homebuilder to sell completed homes as described in this Official Statement under the caption "INVESTMENT CONSIDERATIONS." If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ. See "THE BONDS – Issuance of Additional Debt." The Developers are under no obligation to complete any development, if begun, and may modify or discontinue development plans in their sole discretion. Accordingly, the District makes no representation that future development will occur.

Strategic Partnership Agreement

In May 2006, the District and the City of Hutto (the "City") executed a strategic partnership agreement pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District (approximately 116 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City's extraterritorial jurisdiction. As a result of the limited purposes annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also agreed to grant 50% of such sales tax funds collected within the District to Commerce Properties or its assigns, the general partner for SRI, for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the strategic partnership agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of utility infrastructure by the District.

THE DEVELOPERS

Role of Developers

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

Description of the Developers

As of April 1, 2016, approximately 612 acres within the District have been or was currently being developed by thirteen development entities including SRI, BCL, Tack Development, KPKMII, PK Tack, Trada, Len-Buf, SLII, Trammell Crow, Western, Brushy Creek, Ltd., OLY Star Ranch, and KB Homes as Star Ranch Sections 1, 2, 3, 4, 5-1, 5-2, 6, 7-1A, 7-1B and Phase 2, Section 1, Forest Creek Sections 34, 35, 36, 37, 38, and 39, Silver Leaf Sections 1 and 2, and Star Ranch Golf Course and Clubhouse respectively, as well as three apartment complexes, the Hutto Nursing Center, and two townhome complexes. Additionally, HEB Grocery Company, L.P. is currently building an HEB Plus grocery store within the District. The following chart summarizes what each development entity has developed or is currently developing to date:

(Chart appears on following page)

Entity	Sections
SRI:	Star Ranch, Section 1
	Star Ranch, Section 3
	Star Ranch, Section 4
	Star Ranch, Section 5 Phases 1 & 2
	Star Ranch, Section 6
	Star Ranch, Section 7 Phase 1A
	Retail Pads
BCL:	Star Ranch, Section 2
KPKMII:	Forest Creek, Section 34
	Forest Creek, Section 38
PK Tack:	Forest Creek, Section 35
	Forest Creek Section 36
	Forest Creek Section 37
Trada:	Multi-family (220 unit apt. complex)
	(the Links at Forest Creek – Forest Creek, Section 39)
Len-Buf	Silver Leaf, Section 1
	Silver Leaf, Section 2
Trammell Crow:	Multi-family (396 unit apt. complex)
	(the Fairways at Star Ranch Apartments)
Western:	Multi-family (402 unit apt. complex)
	(Orion Star Ranch)
OLY Star Ranch:	Star Ranch Golf Course & Clubhouse
Tack Development:	Nursing Home (Hutto Nursing Center)
Tack Townhomes, LLC	Star Ranch Golf Townhomes
HEB Grocery Company, L.P.	HEB Plus Grocery Store
KB Homes	Villas at Star Ranch Townhomes (Parcel 23)

The following information describes the single family property developed and the source of funds for acquisition and development of property within the District.

SRI. In 2002, Tim Timmerman contributed property to SRI and SRI purchased property from BCL which was developed into Star Ranch Section 1 (23.85 acres; platted as 59 single family lots and 12 duplex units). BCL financed the purchase of the acreage for SRI. As of January 2006, the note had been repaid and according to SRI there are no outstanding acquisition liens against this property. In 2003, SRI obtained a \$2.5 million development loan from First Texas Bank to develop Star Ranch, Section 1. According to SRI, the development loan has been repaid and there are no outstanding development liens against this property.

In 2006, SRI purchased property from BCL which was developed as Star Ranch Sections 3 (8.31 acres; platted as 37 single family lots) and 5-1 (24.51 acres; platted as 87 single family lots). In September 2006, SRI obtained a \$4 million development loan from American Bank of Commerce to develop Star Ranch, Sections 3 and 5-1. According to SRI, there is no outstanding balance on the development loan.

In 2007, SRI purchased property from BCL which was developed into Star Ranch Section 5-2 (16.06 acres; platted as 50 single family lots). In October 2007, SRI obtained a \$2.102 million development loan from American Bank of Commerce to develop Star Ranch, Section 5-2. According to SRI, there is no outstanding balance on the development loan.

In 2011, SRI purchased property from Tack Development which was developed as Star Ranch Section 7 Phase 1A (7.17 acres, platted as 27 single family lots). SRI obtained a \$900,000 development loan from First Texas Bank to develop Star Ranch Section 7 Phase 1A. According to SRI, there is no outstanding balance on the development loan.

In 2011, SRI purchased property from Tack Development which was developed as Star Ranch Section 7 Phase 1B (1.38 acres, platted as 7 single family lots). SRI obtained a \$900,000 development loan from First Texas Bank to develop Star Ranch Section 7 Phase 1B. According to SRI, there is no outstanding balance on the development loan.

BCL. The 15.32 acres which have been developed by BCL as Star Ranch, Section 2 (platted as 64 single family lots) was originally owned by three individuals each with an undivided interest which was deeded to BCL in June 1997. According to BCL, Star Ranch, Section 2 was developed from the proceeds of a revolving line of credit in the amount of \$925,000 with First Texas Bank. According to BCL, the line of credit has been repaid and there are no development liens against this property.

KPKMII. The 27.10 acres which have been developed by KPKMII as Forest Creek, Section 34 (platted as 106 single family lots) were purchased and developed with an acquisition and development loan from Bank One in the amount of \$2,340,000. According to KPKMII, the acquisition and development loan has been repaid and there are no acquisition or development liens against this property.

In June 2008, KPKMII began construction of utility facilities to serve Forest Creek, Section 38 (16.66 acres; platted as 58 single family lots). Such construction was completed in 2008. According to KPKMII, Section 38 was developed from the proceeds of a revolving line of credit from First Texas Bank in the amount of \$1,706,854. According to KPKMII, the line of credit has been repaid and there are no development liens against this property.

PK Tack. The 24.69 acres which have been developed by PK Tack as Forest Creek, Section 35 (platted as 97 single family lots) were purchased and developed with an acquisition and development loan from Plains Capital Bank in the amount of \$2,325,000. According to PK Tack, the outstanding Plains Capital loan has been paid off with the proceeds of the sale of lots to builders.

The 27.83 acres which have been developed by PK Tack as Forest Creek, Section 36 (platted as 95 single family lots) were purchased and developed with a revolving line of credit from First Texas Bank in the amount of \$4,027,250. According to PK Tack, the line of credit has been repaid and there are no development liens against this property.

The 23.07 acres which have been developed by PK Tack as Forest Creek, Section 37 (platted as 88 single family lots) were purchased and developed with a revolving line of credit from First Texas Bank in the amount of \$4,027,250. According to PK Tack, the line of credit has been repaid and there are no development liens against this property.

Len-Buf. The 29.04 acres that have been developed by Len-Buf as Silver Leaf, Section 1 (platted as 114 single family lots) were purchased and developed with an acquisition and development loan from Texans Commercial Capital, LLC in the amount of \$6,156,000. According to Len-Buf, the development loan was paid off, in-full, in June 2010.

SLII. The 29.41 acres which have been developed by SLII as Silver Leaf, Section 2 (platted as 82 single family lots) were purchased and developed with an acquisition and development loan from United Development Funding IV, a Maryland REIT, in the amount of \$4,727,016. According to SLII, the development loan was paid off, in-full, in 2015.

Utility Construction Agreements

The District has entered into several utility construction agreements with various developers governing the development of water, wastewater and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District. The District has entered into nine separate utility construction agreements with SRI relating to: the payment of water and wastewater impact fees; the 12" water main; the water, wastewater and drainage facilities to serve Star Ranch, Sections 1, 3, 5-1, 5-2, 7-1A 7-1B, 7-2, and Phase 2, Section 1; and Forest Creek Section 37 water line. The District has also entered into utility construction agreements, respectively, with Tack Development relating to the 24" wastewater line; Star Ranch Commercial lot 1, Block D, Star Ranch Parcel 23 and Hutto Nursing Center; with BCL relating to the water, wastewater and drainage facilities to serve Star Ranch, Section 2; with KPKMII relating to the water, wastewater and drainage facilities to serve Forest Creek, Sections 34, 36, 38 and 39; with PK Tack relating to water, wastewater and drainage facilities to serve Forest Creek, Sections 35 and 37 and a 12-inch water main; with BCL and Tack Development regarding Parcel 24, a 27.84-acre tract; and with Len-Buf relating to water, wastewater and drainage facilities to serve Silver Leaf Section 1 and 2. The District has also entered into a reimbursement agreement with HEB Grocery Company, L.P. for constructing water, wastewater and drainage facilities to serve a 30-acre tract.

Agricultural Waiver

Much of the undeveloped acreage within the District is subject to an agricultural exemption, however, SRI, Tack Development, KPKMII, Len-Buf, Star Golf Partners Ltd., PK Tack and BCL have executed agreements, respectively, which are recorded in the real property records of Williamson and Travis Counties, as applicable, and are covenants running with the land waiving the right to have certain portions of their respective land located in the District classified as agricultural, open-space or timberland. In addition, SRI, Tack Development, KPKMII, Len-Buf, Star Golf Partners Ltd., PK Tack and BCL have waived the right to have their lots and houses (if any) within such property classified as business inventory. Such agreements may not be modified without the approval of the TCEQ and is binding on purchasers of such land from each developer. See "TAXING PROCEDURES - Property Subject to Taxation by the District."

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities (the "System"), have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Travis County, Williamson County, and the City of Hutto. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the District's waterworks and wastewater facilities is subject to regulation by, among others, the US Environmental Protection Agency and the TCEQ. The rules and regulations promulgated by these agencies change periodically and are subject to further development and revision. The TCEQ makes annual inspections of the water and wastewater systems to assure compliance with their rules.

Water Supply and Distribution

The District receives its potable water from Manville Water Supply Corporation ("MWSC") pursuant to a 40 year wholesale water supply agreement dated July 13, 2000 between the District, MWSC and Tack Development, which agreement was amended on August 13, 2001, August 21, 2006 and November 10, 2011 (as amended, the "Water Supply Agreement"). The Water Supply Agreement, prior to the November 10, 2011 amendment, provided for water in an amount sufficient to serve up to 2,600 living-unit-equivalents ("LUEs") based upon a phased LUE purchase schedule beginning with 250 LUEs in 2000 and the addition of 250 LUEs per fiscal year through the 2013-2014 fiscal year and the remainder paid during the 2014-2015 fiscal year. The November 10, 2011 amendment added Williamson County Municipal Utility District No. 22 ("MUD 22") as a party to the agreement, bringing additional area into the agreement for water service, and provided for water in an amount sufficient to serve up to 3,400 LUEs. The LUE purchase schedule was also changed to require payment for 100 LUEs per year through the 2026-2027 fiscal year and the remainder paid during the 2027-2028 fiscal year.

Pursuant to the Water Supply Agreement, for each LUE to be purchased during a fiscal year, Tack Development, the District, or MUD 22 is required to pay MWSC a capital recovery fee for such LUE in the amount from time to time charged by MWSC to its own retail customers. A deposit in the amount of \$100 per LUE for all LUEs to be purchased during each fiscal year must be paid to MWSC at the start of each fiscal year, which is then credited against the LUE fees to be paid during that fiscal year. If Tack Development, the District, and MUD 22 fail to purchase or make deposits for water LUEs in accordance with the LUE purchase schedule, any and all LUEs not timely purchased are deemed forfeited for that fiscal year and the cumulative total commitment is reduced accordingly. Pursuant to the November 10, 2011 amendment, the District and MUD 22 allocate the LUEs to be purchased during each fiscal year between themselves. Additionally, the obligation of MWSC to continue delivery of water to the District is specifically conditioned on the District, Tack Development, or related entities contributing to MWSC a water storage facility site and two water well sites. Any defaults or disputes under the Water Supply Agreement are to be subject to arbitration by the parties.

According to MWSC's engineer, MWSC is a member owned, member controlled non-profit corporation currently serving 15,325 connections. MWSC's engineer has stated that the MWSC system consists of: 21 active production wells with a combined capacity of 14,425 gallons per minute ("gpm"), which includes 1,320 gpm from the City of Pflugerville supply and 600 gpm from a City of Austin supply, sufficient to serve 22,533 LUEs with well capacity being the limiting component. MWSC's engineer has also stated that the current MWSC system capacity is supported by 10,650,000 gallons of total storage including 3,200,000 gallons elevated storage including a 1,000,000 gallon elevated storage tank across SH 130 from the District. MWSC has made system improvements expanding its delivery and supply capacity and the MWSC engineer states that the utility has enough water service capabilities to provide adequate service to its present and future customers. According to the District's engineer, MWSC delivers potable water to the District through four master meters, at which points the water is then distributed to District customers through 8-inch and 12-inch water lines.

The District currently provides water to 2,005 equivalent connections including 966 occupied single family homes (including 220 townhome units), 24 builder connections, 1,018 apartments units (713 LUEs), 20 commercial connections and 62 duplex connections and anticipates serving 2,600 LUEs at ultimate build out of the District, under the current land use plan.

Wastewater Collection and Treatment

The District receives wastewater treatment service through a 40 year wholesale contract with SWWC Utilities, Inc. ("SWWC") (as amended, the "Wastewater Agreement"). Pursuant to the Wastewater Agreement, SWWC agrees to provide wastewater treatment service for ultimate build out within the District. SWWC has stated that its wastewater treatment plant is operated pursuant to a permit issued by the TCEQ, with permitted capacity for its Forest Creek wastewater treatment plant of 990,000 gallons per day ("gpd"). Additionally, SWWC has stated that the Forest Creek wastewater treatment expansion of the wastewater treatment plant is complete, bringing its capacity up to the permitted maximum. SWWC, as of December 2015, is serving approximately 2,263 wastewater equivalent connections, including 882 equivalent connections located outside the boundaries of the District, with an average day flow of 475,000 gpd. The TCEQ approved the use of a lower flow (gallons per day) per connection design criteria for the Forest Creek WWTP based upon historical flow and connection records for the plant and service area collected from January 2006 through February 2009. The TCEQ concluded that using a flow factor of 200 gpd/ESFC is reasonable. The hydraulic capacity of the plant, as approved by the TCEQ, at 200 gallons per day per connection makes the 990,000 gallon per day existing plant capacity sufficient for 4,950 total connections. After excluding 882 ESFCs for customers outside the District, the existing capacity is adequate to serve the existing 2,005 ESFCs within the District plus the projected growth.

According to the District's Engineer, the ultimate build out of the District is estimated at 2,600 LUEs, under the current land plan. Additionally, SWWC has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development.

The District's wastewater is collected through 8 inch and 12 inch collection lines and is then conveyed via lift stations and a 24 inch gravity trunkline to the Forest Creek wastewater treatment plant. The District intends to own and operate the collection system within its boundary with the exception of the 24-inch gravity trunkline which is owned by SWWC. The majority of the current development within the District is primarily located in the southern area of the District. Wastewater from this area is collected and conveyed by the 24 inch wastewater line.

By letter dated January 19, 2016, SWWC proposed an increased LUE fee of \$1,931 per LUE under the Wastewater Agreement in order to recover the capital costs incurred by SWWC in expanding the Forest Creek Wastewater Treatment Plant. The District has requested additional information from SWWC regarding the calculation of the proposed increase and has authorized the District's manager/operator and general counsel are reviewing the proposed increase with a rate analyst. The Wastewater Agreement provides that, if the District and SWWC cannot agree on a new LUE charge, the parties will apply to the Public Utility Commission for a determination of the proper LUE charge.

Storm Drainage

The storm drainage system that serves the District consists of curb and guttered streets and storm sewers. The collected storm water runoff is routed through detention and water quality ponds, thence into tributaries of Brushy Creek and ultimately to the Brazos River for portions of the District within Williamson County. The Travis County portions of the District drain into tributaries of Wilbarger Creek and ultimately into the Colorado River.

100-Year Flood Plain

According to the District's Engineer, no acreage located within the District is located within the 100-year flood plain, as shown on the following Federal Flood Insurance Administration Rate Maps: (i) No. 48491C0515E for Williamson County, Texas, dated September 26, 2008, (ii) No. 48491C0675E for Williamson County, Texas, dated September 26, 2008 and (iii) No. 48453C0280H for Travis County, Texas, dated September 26, 2008.

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Water and Wastewater Operations Rate and Fee Schedule - Table 1

The Board of Directors of the District establishes rates and fees for water and sewer service. The following schedule sets forth the rates and fees for the District's water and sewer service which were effective as of March 11, 2015.

Water (monthly billings)

Base Rate for 5/8" meter:

Base Rate (2,000 gallons of water service and solid waste pick-up)	\$ 34.70 (minimum)
2,001 – 15,000 gallons of water used	\$ 4.00 per 1,000 gallons
Over 15,001 gallons of water used	\$ 5.25 per 1,000 gallons

Wastewater Usage Charge (monthly billings)

Single Family:

Base Rate:.....	\$ 56.74
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Tap Connection Fees:

Water 5/8" Meter.....	\$ 350.00
Water 3/4" Meter.....	\$ 425.00
Water 1" Meter.....	\$ 650.00
Water 1-1/2" Meter	\$ 1,750.00
Over Water 1-1/2" Meter	to be installed by District at cost times three

Wastewater Residential	\$ 350.00
Wastewater Commercial	to be installed by District at cost times three

Capital Expenditure Fees:

Water and wastewater capacity charges are also charged by the District and payable to the District for wholesale water from MWSC and wastewater service from SWWC.

Water.....	\$ 2,800.00 per LUE
Wastewater Residential	\$ 1,556.00 per LUE
Wastewater Commercial/Non-Residential	\$ 1,863.00 per LUE

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Operating Revenues and Expenses Statement - Table 2

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

	Fiscal Year End					
	2/29/2016 ^(a)	9/30/2015 ^(b)	9/30/2014 ^(b)	9/30/2013 ^(b)	9/30/2012 ^(b)	9/30/2011 ^(b)
REVENUES						
Property taxes, including penalties	\$ 667,007	\$ 598,879	\$ 400,313	\$ 312,024	\$ 158,640	\$ 178,533
Service Revenues	841,159	2,121,371	1,960,893	1,775,209	1,603,979	1,525,765
System Connection Fees	7,825	48,200	128,950	158,550	111,850	94,500
Interest	3,870	8,295	7,670	6,969	5,600	7,910
Other	89	344	1,412	125	70	538
TOTAL REVENUES	\$ 1,519,952	\$ 2,777,089	\$ 2,499,238	\$ 2,252,877	\$ 1,880,139	\$ 1,807,246
EXPENDITURES						
Water/wastewater purchases	\$ 564,520	\$ 1,442,905	\$ 1,336,973	\$ 1,170,023	\$ 1,116,796	\$ 1,065,565
Garbage Collection Fees	77,280	180,496	163,936	137,376	118,065	104,419
Repairs/Maintenance	48,326	156,212	142,579	92,104	108,365	88,936
Tap Inspection Fees	3,856	30,661	51,959	65,099	43,825	28,830
Utilities	14,892	37,163	35,299	32,238	41,646	31,759
Director Fees	3,230	8,397	9,204	7,751	8,235	9,204
Legal Fees	31,243	77,721	72,166	50,366	63,042	63,611
Engineering Fees	40,877	108,137	75,963	39,756	36,256	49,080
Management Fees	61,690	142,829	132,843	119,146	104,314	96,363
Bookkeeping Fees	10,750	24,750	24,750	24,750	24,750	24,750
Audit Fees	14,500	14,500	14,500	14,500	18,000	22,500
Insurance	400	5,928	3,046	2,706	2,065	1,762
Tax Appraisal/Collection Fees	1,293	4,417	2,944	2,340	1,208	1,399
Financial Advisor Fees	529	525	426	382	244	267
Other	13,995	8,551	5,286	7,428	23,876	10,234
Capital Outlay	-	183,226	-	-	-	13,905
TOTAL EXPENDITURES	\$ 887,381	\$ 2,426,418	\$ 2,071,874	\$ 1,765,965	\$ 1,710,687	\$ 1,612,584
NET REVENUES (DEFICIT)	\$ 632,570	\$ 350,671	\$ 427,364	\$ 486,912	\$ 169,452	\$ 194,662
Beginning Fund Balance	\$ 2,671,253	\$ 2,320,582	\$ 1,921,218	\$ 1,434,306	\$ 1,264,854	\$ 1,270,192
Plus / (Less): Fund Transfer	-	-	(28,000)	-	-	(200,000)
Ending Fund Balance	\$ 3,303,824	\$ 2,671,253	\$ 2,320,582	\$ 1,921,218	\$ 1,434,306	\$ 1,264,854

(a) Unaudited as of February 29, 2016. Reflects 5 months of the District's current fiscal year.

(b) Audited.

DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3
Williamson County Water, Sewer, Irrigation, and Drainage District No. 3
\$6,375,000
Unlimited Tax Refunding Bonds, Series 2016
Dated Date: June 8, 2016
First Interest Payment Due: September 1, 2016

Year Ending 31-Dec	Outstanding Debt	Less: Refunded Debt	Total Debt	The Bonds					Total Debt Service Requirements
				Principal (Due 9/01)	Interest (Due 3/01)	Interest (Due 9/01)	Total	Principal and Interest	
2016	\$ 2,140,623	\$ 145,299	\$ 1,995,324	\$ 70,000	\$ -	\$ 52,163	\$ 52,163	\$ 122,163	\$ 2,117,487
2017	2,149,398	350,598	1,798,800	80,000	112,425	112,425	224,850	304,850	2,103,650
2018	2,123,223	353,198	1,770,025	85,000	111,625	111,625	223,250	308,250	2,078,275
2019	2,147,048	350,598	1,796,450	85,000	110,775	110,775	221,550	306,550	2,103,000
2020	2,148,123	352,998	1,795,125	85,000	109,925	109,925	219,850	304,850	2,099,975
2021	2,221,048	350,198	1,870,850	85,000	109,075	109,075	218,150	303,150	2,174,000
2022	2,334,960	672,398	1,662,563	410,000	108,225	108,225	216,450	626,450	2,289,013
2023	2,331,773	666,223	1,665,550	415,000	102,075	102,075	204,150	619,150	2,284,700
2024	2,321,918	654,343	1,667,575	415,000	95,850	95,850	191,700	606,700	2,274,275
2025	2,345,398	661,948	1,683,450	435,000	89,625	89,625	179,250	614,250	2,297,700
2026	2,355,966	652,991	1,702,975	440,000	83,100	83,100	166,200	606,200	2,309,175
2027	2,358,650	663,450	1,695,200	465,000	75,400	75,400	150,800	615,800	2,311,000
2028	2,383,356	652,213	1,731,144	475,000	66,100	66,100	132,200	607,200	2,338,344
2029	2,394,238	659,825	1,734,413	500,000	56,600	56,600	113,200	613,200	2,347,613
2030	2,361,155	640,824	1,720,331	500,000	46,600	46,600	93,200	593,200	2,313,531
2031	2,136,516	651,423	1,485,094	530,000	36,600	36,600	73,200	603,200	2,088,294
2032	1,777,259	729,915	1,047,344	630,000	26,000	26,000	52,000	682,000	1,729,344
2033	1,680,214	387,995	1,292,219	315,000	13,400	13,400	26,800	341,800	1,634,019
2034	2,554,576	415,145	2,139,431	355,000	7,100	7,100	14,200	369,200	2,508,631
2035	2,529,369	-	2,529,369	-	-	-	-	-	2,529,369
2036	1,408,031	-	1,408,031	-	-	-	-	-	1,408,031
2037	1,180,844	-	1,180,844	-	-	-	-	-	1,180,844
2038	1,283,531	-	1,283,531	-	-	-	-	-	1,283,531
2039	1,318,031	-	1,318,031	-	-	-	-	-	1,318,031
	\$ 49,985,244	\$10,011,576	\$ 39,973,668	\$ 6,375,000	\$ 1,360,500	\$ 1,412,663	\$ 2,773,163	\$ 9,148,163	\$ 49,121,831

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2015 Certified Assessed Valuation	\$395,981,763 ^(a)
2016 Preliminary Assessed Valuation	\$425,417,868 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$ 32,970,000 ^(c)
Ratio of Gross Debt to 2015 Certified Assessed Valuation	8.33%
Ratio of Gross Debt to 2016 Preliminary Assessed Valuation	7.75%
2015 Tax Rate	
Debt Service	\$ 0.5606
Maintenance	0.1700
Total 2015 Tax Rate	\$ 0.7306 ^(d)
Debt Service Fund Balance (as of April 13, 2016)	\$ 2,358,426 ^(e)
Estimated Population as of March 1, 2016.....	5,983 ^(f)
Area of District: 751.26 acres	

- (a) Assessed valuation of the District as of January 1, 2015 as certified by the Williamson Central Appraisal District ("WCAD") and the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Preliminary assessed valuation of the District as of January 1, 2016 as provided by WCAD and TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) 2015 Tax Rate levied in September 2015.
- (e) Unaudited as of April 13, 2016. Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.5 residents per occupied single family home and 2.5 residents per occupied multi-family unit.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Unissued
11/7/2000	Water, Sanitary Sewer & Drainage	\$ 31,345,000.00	\$ 31,345,000.00	\$ -
5/12/2012	Water, Sanitary Sewer & Drainage	9,805,000.00	3,380,000.00	6,425,000.00
	Total	\$ 41,150,000.00	\$ 34,725,000.00	\$ 6,425,000.00
11/7/2000	Refunding	47,017,500.00	3,716,403.81	43,301,096.19
5/12/2012	Refunding	14,707,500.00	-	14,707,500.00
	Total	\$ 61,725,000.00 ^(a)	\$ 3,716,403.81 ^(b)	\$ 58,008,596.19 ^(b)

- (a) The propositions also authorize the issuance of refunding bonds in an amount not to exceed one and one-half times the principal amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued. In the event that the District does not issue the total amount of bonds authorized, the amount of authorized refunding bonds could be limited to 1.5 times the principal amount of bonds then issued.
- (b) The calculation of the amount of remaining unissued refunding authorization is based on administrative guidance from the Attorney General. 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 the Underwriters' discount, is also counted against the District's refunding authorization. The District has previously issued four series of refunding bonds, which used \$3,232,190.65 in refunding authorization, and the issuance of the Bonds will use an additional \$484,213.16 of the District's voted authorization of refunding bonds. After the issuance of the bonds, \$58,008,596.19 of voted authorization of refunding bonds will remain unissued (assuming the District issues its full amount of voter authorized new money bonds). In the event that the District does not issue the total amount of bonds authorized, the amount of authorized refunding bonds could be limited to 1.5 times the principal amount of bonds then issued.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
03/01/06	Water, Sanitary Sewer & Drainage	2006	\$ 3,875,000	\$ -
12/01/07	Water, Sanitary Sewer & Drainage	2007	6,250,000	-
12/01/08	Water, Sanitary Sewer & Drainage	2008	5,225,000	-
12/01/09	Water, Sanitary Sewer & Drainage	2009	4,900,000	150,000
12/01/10	Water, Sanitary Sewer & Drainage	2010A	2,500,000	30,000
12/01/11	Water, Sanitary Sewer & Drainage	2011	2,000,000	1,980,000
01/01/13	Water, Sanitary Sewer & Drainage	2013	2,950,000	2,935,000
12/01/13	Water, Sanitary Sewer & Drainage	2013B	3,675,000	3,665,000
01/01/15	Water, Sanitary Sewer & Drainage	2015A	3,350,000	3,345,000
Subtotal			\$ 34,725,000	\$ 12,105,000
B. Refunding Bonds				
06/01/10	Refunding	2010	\$ 4,350,000	\$ 60,000
03/01/12	Refunding	2012	8,290,000	7,925,000
02/01/13	Refunding	2013A	2,585,000	1,965,000
01/01/15	Refunding	2015	4,645,000	4,540,000
06/08/16	Refunding	2016	6,375,000	6,375,000 ^(b)
Subtotal			\$ 26,245,000	\$ 20,865,000
Total			\$ 60,970,000	\$ 32,970,000

(a) Excludes the Refunded Bonds and includes the Bonds.

(b) The Bonds.

Cash and Investment Balances - Table 7 ^(a)

General Fund	\$ 3,454,099
Debt Service Fund	2,358,426 ^(b)
Capital Projects Fund	136,898

(a) Unaudited as of April 13, 2016. Includes cash and investments.

(b) Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in

the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in 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 District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

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

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

and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, at April 13, 2016 is invested in Money Market, TexPool and Certificates of Deposit as shown below. This investment portfolio is generally representative of the District's investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of April 13, 2016	
Cash	\$ 338,792
Money Market	482,694
TexPool	3,656,464
Certificates of Deposit	1,471,472
Total Investments	\$ 5,949,422

Estimated Overlapping Debt Statement

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

Taxing Body ^(a)	Gross Debt		% of Overlapping Gross Debt	Amount of Overlapping Gross Debt
	Amount	As of		
Williamson County	914,339,942	3/1/2016	0.60%	5,486,040
Travis County	695,034,987	3/1/2016	0.03%	208,510
Travis Co Healthcare District	12,305,000	3/1/2016	0.03%	3,692
Hutto ISD	190,840,927	3/1/2016	6.11%	11,660,381
Pflugerville ISD	506,715,000	3/1/2016	0.51%	2,584,247
Round Rock ISD	806,725,000	3/1/2016	0.51%	4,114,298
Austin Community College	245,488,659	3/1/2016	0.08%	196,391
TOTAL ESTIMATED OVERLAPPING DEBT				\$ 24,253,557
The District ^(b)	\$32,970,000	6/8/2016	100.00%	\$ 32,970,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 57,223,557
Ratio of Estimated and Overlapping Debt to Certified 2015 Assessed Valuation				14.45%
Ratio of Estimated and Overlapping Debt to Preliminary 2016 Assessed Valuation				13.45%

(a) A resident of the District can reside only in one county.

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

Overlapping Taxes for 2015

Overlapping Entity	2015 Tax Rates			Average Tax Bill ^(a)		
	Travis County	Williamson County		Travis County	Williamson County	
	Pflugerville ISD	Round Rock ISD	Hutto ISD	Pflugerville ISD	Round Rock ISD	Hutto ISD
District	\$0.730600	\$0.730600	\$0.730600	\$ 1,853	\$ 1,853	\$ 1,853
Williamson County		0.441529	0.441529	-	1,120	1,120
Travis County	0.416900			1,058	-	-
Round Rock ISD		1.332500		-	3,380	-
Hutto ISD			1.670000	-	-	4,236
Pflugerville ISD	1.540000			3,906	-	-
Travis County Healthcare District	0.117781			299	-	-
Austin Community College District	0.100500	0.100500	0.100500	255	255	255
Williamson Co FM/RD District		0.040000	0.040000	-	101	101
Williamson County ESD No. 3		0.100000	0.100000	-	254	254
Upper Brushy Creek WC&ID No. 1A		0.020000	0.020000	-	51	51
TOTAL	\$2.905781	\$2.765129	\$3.102629	\$7,370.78	\$7,014.00	\$7,870.10

(a) Based upon 2015 average single-family home value of \$253,659.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2015 ^(a)		2014 ^(a)		2013 ^(a)	
	Amount	%	Amount	%	Amount	%
Single Family	\$243,041,760	61.78%	\$198,238,252	60.75%	\$ 151,971,239	55.82%
Multi Family	113,008,998	28.73%	94,655,962	29.01%	88,085,415	32.35%
Vacant Land	8,837,577	2.25%	7,857,367	2.41%	5,863,483	2.15%
Acreage	9,434,410	2.40%	10,092,165	3.09%	10,968,085	4.03%
Rural Land	-	0.00%	-	0.00%	110,000	0.04%
Commercial Real Property	28,073,736	7.14%	17,773,221	5.45%	15,319,707	5.63%
Utilities	2,155,518	0.55%	127,618	0.04%	124,221	0.05%
Tangible Personal Property	864,788	0.22%	2,727,802	0.84%	1,880,411	0.69%
Real Inventory	5,047,746	1.28%	12,320,215	3.78%	12,930,626	4.75%
Exempt	819,695	0.21%	226,855	0.07%	128,763	0.05%
Less: Adjustment	(17,907,301)	-4.55%	(17,700,307)	-5.42%	(15,109,294)	-5.55%
Total	\$ 393,376,927	100.00%	\$ 326,319,150	100.00%	\$ 272,272,656	100.00%

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

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Tax Collections - Table 10

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

Tax Year	Assessed Valuation	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2002	8,249,546 ^(a)	0.8500	70,121	59,680	85.11%	59,680	85.11%	9/30/2003 ^(b)
2003	8,809,100 ^(a)	0.8500	74,877	22,129	29.55%	32,378	43.24%	9/30/2004 ^(c)
2004	14,545,301 ^(a)	0.8500	123,635	120,920	97.80%	172,703	139.69%	9/30/2005 ^(c)
2005	20,073,754 ^(a)	0.8500	170,627	169,110	99.11%	172,982	101.38%	9/30/2006 ^(b)
2006	32,779,715 ^(a)	0.8500	278,627	275,153	98.75%	278,324	99.89%	9/30/2007 ^(b)
2007	73,687,950 ^(a)	0.7730	569,607	524,379	92.06%	527,854	92.67%	9/30/2008 ^(b)
2008	100,538,759 ^(a)	0.7730	777,165	776,114	99.86%	786,851	101.25%	9/30/2009 ^(b)
2009	153,860,574 ^(a)	0.7999	1,230,730	1,223,645	99.42%	1,264,345	102.73%	9/30/2010 ^(b)
2010	181,663,535 ^(a)	0.8150	1,524,785	1,475,872	96.79%	1,486,809	97.51%	9/30/2011 ^(b)
2011	209,800,052 ^(a)	0.8150	1,715,484	1,704,264	99.35%	1,707,380	99.53%	9/30/2012 ^(b)
2012	241,530,178 ^(a)	0.8150	1,962,169	1,959,305	99.85%	1,964,087	100.10%	9/30/2013 ^(b)
2013	272,281,707 ^(a)	0.8150	2,259,399	2,215,519	98.06%	2,231,064	98.75%	9/30/2014 ^(b)
2014	326,319,150 ^(a)	0.8082	2,680,992	2,660,191	99.22%	2,667,117	99.48%	9/30/2015 ^(b)
2015	395,981,763	0.7306	2,865,521	2,836,242	98.98%	2,880,468	100.52%	9/30/2016 ^(d)

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

(b) Audited.

(c) Audited. The golf course constituted the initial development within the District and thus represented the majority of the assessed value. On March 31, 2004, Oly Star Ranch G. P. sold the golf course to Tack Development, Ltd. and Timmerman & Hagn Ltd.; which, in turn, conveyed the golf course to Star Golf Partners, Ltd. Taxes due on the golf course for 2002 and 2003 were not paid until the property was sold in 2004.

(d) Unaudited. Reflects collections through February 29, 2016. Taxes were due with no penalty by January 31, 2016.

District Tax Rates - Table 11

Tax Rate per \$100 Assessed Valuation	2015	2014	2013	2012	2011
Debt Service	\$ 0.5606	\$ 0.6262	\$ 0.6703	\$ 0.6855	\$ 0.7401
Maintenance	0.1700	0.1820	0.1447	0.1295	0.0749
Total	<u>\$ 0.7306</u>	<u>\$ 0.8082</u>	<u>\$ 0.8150</u>	<u>\$ 0.8150</u>	<u>\$ 0.8150</u>

Tax Rate Limitation

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

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, constructing, acquiring, maintaining, repairing or operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Outstanding Bonds, the Bonds, and any tax bonds which may be issued in the future. At an election held on November 7, 2000, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied 2015 maintenance and operations tax of \$0.1700/\$100 assessed valuation.

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by the District's Tax Assessor/Collector based on the 2015, 2014 and 2013 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

Name	Type of Property	2015	2014	2013
BRE MF Star Ranch LLC ^(b)	Apartments	\$ 43,000,000	\$ 38,150,000	\$ 34,828,231
Fairways at Star Ranch I LLC & Fairways at Star Ranch II LLC ^(c)	Apartments	41,580,000	39,629,133	36,294,205
Round Rock M3-05 LLC	Apartments	10,190,521	10,346,694	10,320,000
Forest Creek Medical Center	Office Building	9,467,390	8,966,157	7,369,010
Williamson Health Realty LLC	Nursing Home	7,621,971	1,057,000	(a)
Tack Townhomes LLC	Townhomes	7,000,000	(a)	(a)
Brush Creek LTD	Acreage	4,935,493	(a)	(a)
HEB Grocery Company LP	Acreage	4,573,800	4,573,800	4,573,800
Parth Capital Group LLC	Office Building	3,840,000	(a)	(a)
Star Golf Partners	Golf Course and Clubhouse	3,351,760	2,960,717	2,960,662
Bettina Properties LLC	Private School	2,377,875	2,339,174	1,529,069
SWWC Utilities Inc.	Utility	2,163,208	2,161,576	2,138,955
Tack Development LTD	Vacant Lots and Acreage	1,316,608	1,308,940	1,270,314
PH SLII LP	Vacant Lots and Acreage	(a)	1,294,968	1,864,824
Meritage Homes of Texas LLC	Homebuilder	(a)	(a)	1,821,833
Total		\$ 141,418,626	\$ 112,788,159	\$104,970,903
Percent of Assessed Valuation		35.71%	34.56%	38.55%

(a) Not a principal taxpayer for respective year.

(b) Formerly called AMFP II Fairways Star Ranch LLC and Star Ranch Apartments LP.

(c) Formerly called Western Rim Investors 4 LP

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2015 Certified Assessed Valuation and 2016 Preliminary Assessed Valuation, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS - Impact on District Tax Rates."

Average Requirement on the Bonds and the Outstanding Bonds (2016 through 2035)	\$2,196,570
\$0.59 Tax Rate on 2015 Certified Assessed Valuation of \$395,981,763 @ 95% collections produces	\$2,219,478
\$0.55 Tax Rate on 2016 Preliminary Assessed Valuation of \$425,417,868 @ 95% collections produces	\$2,222,808
Maximum Requirement on the Bonds (2035)	\$2,529,369
\$0.68 Tax Rate on 2015 Certified Assessed Valuation of \$395,981,763 @ 95% collections produces	\$2,558,042
\$0.63 Tax Rate on 2016 Preliminary Assessed Valuation of \$425,417,868 @ 95% collections produces	\$2,546,126

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/16	\$2,117,487 ^(a)
Audited Debt Service Fund Balance as of 9/30/2015	\$ 731,528 ^(b)
2015 Tax Levy @ 95% collections produces	<u>\$ 2,108,880 ^(c)</u>
Total Available for Debt Service.....	<u>\$2,840,408</u>
Projected Debt Service Fund Balance 9/30/16	\$722,921

(a) Interest payments on the Bonds begin September 1, 2016.

(b) Audited debt service fund balance of as of September 30, 2015; does not include any 2015 tax collections and represents debt service fund balance after all 2015 debt service requirements have been paid.

(c) The District levied a 2015 debt service tax rate of \$0.5606.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County Wide Appraisal District

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by 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 District are subject to taxation by the District; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: 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. 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. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran's exemption applied. Furthermore, qualifying surviving spouses of person 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District's preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. The District's tax assessor/collectors are authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have

previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

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

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

Valuation of Property for Taxation

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

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. Developers wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1 or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1

of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

Rollback of Operation and Maintenance Tax Rate

The qualified voters of the District have to right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate. Thus, debt service and contract tax rates cannot be changed by a rollback election.

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2015". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Effect of FIRREA on Tax Collections

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

LEGAL MATTERS

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

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

No-Litigation Certificate

The District will furnish to the Underwriters 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.

VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS

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

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

TAX MATTERS

Opinion

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM 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 District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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

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

Notice of Certain Events

The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (i) non-payment related defaults; (ii) modifications to rights of Bondholders; (iii) Bond calls; (iv) release, substitution, or sale of property securing repayment of the Bonds; (v) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of

business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and (vi) appointment of a successor or additional trustee or the change of name of a trustee.

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

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

Availability of Information from MSRB

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

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the past five years, the District has been in compliance with all material provisions of its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

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

UNDERWRITING

The Underwriters of the Bonds have agreed, subject to certain customary conditions to delivery, to purchase the Bonds from the District at an underwriting discount of \$65,337.39 from the initial public offering prices therefore set forth on the inside cover page of this Official Statement. The Underwriters will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public offering prices may be charged from time to time by the Underwriters.

OFFICIAL STATEMENT

Preparation

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

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

Consultants

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

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

The Auditor: The District's financial statements for the fiscal year ended September 30, 2015 were prepared by Maxwell, Locke & Ritter LLP ("Maxwell, Locke & Ritter"), Certified Public Accountants. Maxwell, Locke & Ritter serves as auditor to 35 other special districts. See "Appendix A" for a copy of the District's Audited Financial Statements as of September 30, 2015.

Appraisal Districts: The information contained in this Official Statement relating to the certified assessed valuation of property in the District and, in particular, such information contained in the section captioned "FINANCIAL STATEMENT," has been provided by the Williamson Central Appraisal District and 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 Ms. Deborah M. Hunt, A/C (Williamson County) and Mr. Bruce Elfant, A/C (Travis County) in reliance upon their authority in the field of tax assessing and collecting.

Annual Audits

Under State Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year once the District has issued bonds or has assets or receipts in excess of \$250,000. Prior to selling bonds or having assets over \$250,000, the District is allowed under State law to file a financial report in lieu of an audit. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Williamson County Water, Sewer, Irrigation, and Drainage District No. 3, as of the date shown on the first page hereof.

/s/ Rance Richter

President, Board of Directors

Williamson County Water, Sewer, Irrigation, and Drainage
District No. 3

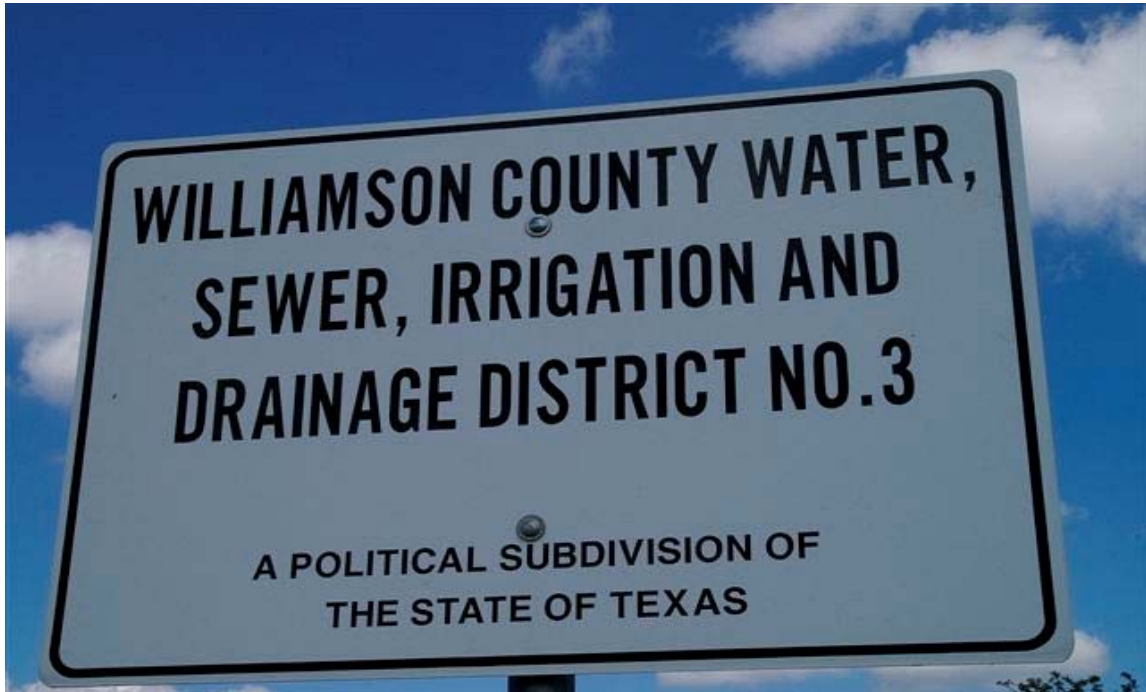
/s/ Daniel Bates

Secretary/Treasurer, Board of Directors

Williamson County Water, Sewer, Irrigation, and
Drainage District No. 3

PHOTOGRAPHS

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







APPENDIX A
AUDITED FINANCIAL STATEMENTS

The information contained in this appendix has been excerpted from the audited financial statement of Williamson County Water, Sewer, Irrigation, and Drainage District No. 3 for the fiscal year ended September 30, 2015. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**WILLIAMSON COUNTY
WATER, SEWER, IRRIGATION
AND DRAINAGE DISTRICT
NO. 3**

**Financial Statements and
Supplemental Information as of and
for the Year Ended September 30, 2015
and Independent Auditors' Report**



WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE DISTRICT NO. 3

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF WILLIAMSON

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

WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE DISTRICT NO. 3
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **10th day of February, 2016**, its annual audit report for the fiscal year ended **September 30, 2015** and that copies of the annual audit report have been filed in the District's office, located at:

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

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: _____, _____ By: _____
(Signature of 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 AUDITORS' REPORT



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 303 East Main Street

Round Rock, TX 78664

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of

Williamson County Water, Sewer, Irrigation and Drainage District No. 3:

We have audited the accompanying financial statements of the governmental activities and each major fund of Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, 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.

Emphasis of Matter

As described in Note 13 to the financial statements, the District recorded an adjustment to correctly reflect amortization of deferred charges on bond refundings for prior years resulting in a restatement of the District's net position as of September 30, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and FS-20, respectively, 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 supplemental information and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Maxwell Socher + Ritter LLP

Austin, Texas
February 10, 2016

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

In accordance with Governmental Accounting Standards Board ("GASB") Statement 34 the management of Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2015. 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 fund balance in the General Fund was \$2,671,253, an increase of \$350,671 from the previous fiscal year. General Fund revenues increased from \$2,499,238 in the previous fiscal year to \$2,777,089 in the current fiscal year due to an increase in service revenues and property taxes.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$535,363 in the previous fiscal year to \$731,528 in the current fiscal year. Debt Service Fund revenues increased from \$1,838,263 in the previous fiscal year to \$2,076,759 in the current fiscal year due to an increase in the District's assessed valuation. During fiscal year 2015, the District issued \$4,645,000 of Series 2015 Unlimited Tax Refunding bonds, the proceeds of which were used to advance refund \$4,075,000 of the District's previously issued Series 2009 bonds. The District also made bond principal payments of \$945,000 and bond interest payments of \$1,144,155 during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$273,284 in the previous fiscal year to \$1,644,818 in the current fiscal year. The District issued \$3,350,000 of Series 2015A Unlimited Tax Bonds during the current fiscal year. The Capital Projects Fund received \$3,117,464 of bond proceeds and expended \$1,824,996 for the purchase of infrastructure and the costs of bond issuance. As of September 30, 2015, the District has escrowed approximately \$1.1 million in a mutual fund pending developer reimbursement approval from the Texas Commission on Environmental Quality ("TCEQ").
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$157,091. Net position increased from a deficit balance of \$2,220,074 (as restated) to a deficit balance of \$2,062,983.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

OVERVIEW OF THE DISTRICT

The District is a political subdivision of the State of Texas created effective June 18, 1987 by House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, which has since been codified as Chapter 8486 of the Texas Special District Local Laws Code. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 751 acres of land. The District is located in southeast Williamson County and northeast Travis County and lies within the extraterritorial jurisdiction of the City of Hutto. The District is divided among three school districts, Hutto Independent School District, Pflugerville Independent School District and Round Rock Independent School District. Access to the District is provided along FM 685 and State Highway 130. The District was created to provide water, wastewater and drainage services to the lands within the District.

USING THIS ANNUAL REPORT

This annual report consists of six parts:

1. *Management's Discussion and Analysis* (this section)
2. *Basic Financial Statements*
3. *Notes to the Basic Financial Statements*
4. *Required Supplemental Information*
5. *Texas Supplemental Information* (required by the Texas Commission on Environmental Quality (the TSI section))
6. *Other Supplemental 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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

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

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

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

	Activities		Increase (Decrease)
	2015	2014	
Current and Other Assets	\$ 5,670,365	\$ 3,645,619	\$ 2,024,746
Capital Assets	24,213,430	23,141,823	1,071,607
Total Assets	29,883,795	26,787,442	3,096,353
Deferred Outflows of Resources, as restated	1,852,022	1,605,043	246,979
Current Liabilities	1,608,537	1,411,403	197,134
Long-term Liabilities	32,190,263	29,201,156	2,989,107
Total Liabilities	33,798,800	30,612,559	3,186,241
Net Investment in Capital Assets, as restated	(5,414,993)	(5,016,006)	(398,987)
Restricted	672,896	470,311	202,585
Unrestricted	2,679,114	2,325,621	353,493
Total Net Position, as restated	\$ (2,062,983)	\$ (2,220,074)	\$ 157,091

The District's combined net position increased from a deficit balance of \$2,220,074 (as restated) in the previous fiscal year to a deficit balance of \$2,062,983 in the current fiscal year. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$2,679,114.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

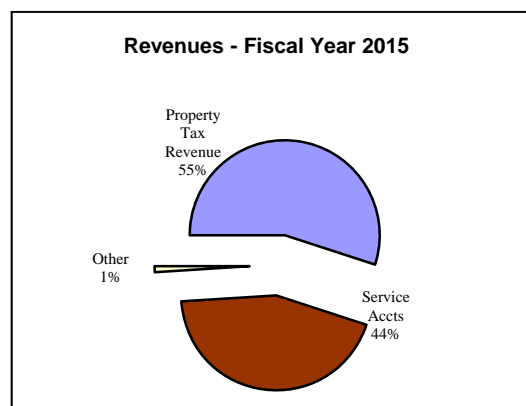
Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2015	2014	
Service accounts	\$ 2,121,371	\$ 1,960,893	\$ 160,478
Property taxes	2,686,733	2,263,813	422,920
Other	59,924	141,720	(81,796)
Total Revenues	4,868,028	4,366,426	501,602
Water/wastewater/garbage	1,623,401	1,500,909	122,492
Professional fees	370,267	322,623	47,644
Other	274,526	554,892	(280,366)
Debt service, as restated	1,899,992	1,328,977	571,015
Depreciation	548,133	516,328	31,805
Total Expenses, as restated	4,716,319	4,223,729	492,590
Proceeds from sale of capital assets	5,382	-	5,382
Change in Net Position, as restated	157,091	142,697	14,394
Beginning Net Position, as restated	(2,220,074)	(2,362,771)	142,697
Ending Net Position, as restated	\$ (2,062,983)	\$ (2,220,074)	\$ 157,091

Revenues were \$4,868,028 for the fiscal year ended September 30, 2015 while expenses were \$4,716,319. Net position increased by \$157,091 for the fiscal year ended September 30, 2015.

Property taxes totaled \$2,686,733. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.



The District's assessed value in fiscal year 2015 (the 2014 tax year) was approximately \$326 million compared to \$272 million in fiscal year 2014 (the 2013 tax year). The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Williamson and Travis Counties. The ad valorem tax rate for fiscal years 2015 and 2014 was \$0.8082 and \$0.8150, respectively, per \$100 of assessed valuation. The District's primary revenue sources are service account fees and property taxes.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2015	2014	2013	2012
Cash	\$ 510,577	\$ 426,798	\$ 478,896	\$ 502,360
Cash equivalents/investments	4,815,837	2,921,178	2,324,542	1,849,878
Receivables	358,233	323,408	257,642	295,103
Total Assets	\$ 5,684,647	\$ 3,671,384	\$ 3,061,080	\$ 2,647,341
Accounts payable	269,725	211,048	171,768	174,640
Other payables	317,625	295,284	222,917	269,449
Total Liabilities	587,350	506,332	394,685	444,089
Deferred inflows of resources	49,698	35,823	7,488	8,104
Restricted	2,376,346	808,647	737,689	760,842
Unassigned	2,671,253	2,320,582	1,921,218	1,434,306
Total Fund Balances	5,047,599	3,129,229	2,658,907	2,195,148
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 5,684,647	\$ 3,671,384	\$ 3,061,080	\$ 2,647,341

For the fiscal year ended September 30, 2015, the District's governmental funds reflect a combined fund balance of \$5,047,599. This fund balance includes a \$350,671 increase to the General Fund.

The Debt Service Fund reflects an increase of \$196,165 in fund balance during fiscal year 2015. The Debt Service Fund remitted bond principal of \$945,000 and interest of \$1,144,115. The Debt Service Fund received \$232,536 of bond proceeds from the District's Series 2015A Unlimited Tax Bonds and also received \$4,645,000 in bond proceeds from the District's Series 2015 Unlimited Tax Refunding Bonds. During the year, the Debt Service Fund remitted \$4,456,349 in payments to the refunded bonds escrow agent to advance refund \$4,075,000 of its previously issued Series 2009 bonds. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The Capital Projects Fund purchases the District's infrastructure. The Capital Projects Fund had a \$1,371,534 increase in fund balance for fiscal year 2015. The Capital Projects Fund received \$3,117,464 of bond proceeds from the District's Series 2015A Unlimited Tax Bonds. During the fiscal year, the District expended \$1,824,996 for the purchase of water, wastewater, and drainage assets as well as bond issuance expenditures. As of September 30, 2015, the District was holding in escrow \$1,102,893 to be reimbursed to the developer pending TCEQ approval.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on September 10, 2014, including revenues of \$2,620,620 as compared to expenditures of \$2,281,054. When comparing actual to budget, the District had a positive variance of \$11,105. More detailed information about the District's budgetary comparison is presented in the *Required Supplemental Information*.

CAPITAL ASSETS

As of September 30, 2015, the District's governmental activities had invested \$23,213,430 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	<u>9/30/2015</u>	<u>9/30/2014</u>
Capital Assets:		
Land	\$ 23,603	\$ 23,603
Water/Wastewater/Drainage	27,219,822	25,624,211
Equipment	18,747	-
Less: Accumulated Depreciation	<u>(3,048,742)</u>	<u>(2,505,991)</u>
Total Net Capital Assets	<u>\$ 24,213,430</u>	<u>\$ 23,141,823</u>

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

LONG TERM DEBT

As of September 30, 2015, the District has the following balances outstanding on unlimited tax and refunding bonds:

	<u>Bonds Payable</u>
Series 2009	\$ 150,000
Series 2010	3,990,000
Series 2010A	2,475,000
Series 2011	1,980,000
Series 2012	7,925,000
Series 2013	2,935,000
Series 2013A	1,965,000
Series 2013B	3,665,000
Series 2015	4,540,000
Series 2015A	<u>3,345,000</u>
Total bonds payable	<u>\$ 32,970,000</u>

The District owes approximately \$33 million to bond holders. During the year, the principal balance was reduced by \$945,000. The ratio of the District's long term debt to the total taxable assessed valuation for the 2015 tax year (\$393,376,927) is 8.4%. The District's estimated population, as provided by the District as of September 30, 2015, is 5,642. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for fiscal year 2016 (the 2015 tax year) is approximately \$393 million. The fiscal year 2016 tax rate is \$0.7306 on each \$100 of taxable value. Approximately 23% of the property tax will fund general operating expenses, and approximately 77% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2016 projects an operating fund balance increase of \$274,175. Compared to the fiscal year 2015 budget, revenues are expected to increase by approximately \$132,000 and expenditures are expected to increase by approximately \$197,000.

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.

**BASIC
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
STATEMENT OF NET POSITION AND GOVERNMENTAL
FUNDS BALANCE SHEET
SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash on deposit	\$ 510,577	\$ -	\$ -	\$ 510,577	\$ -	\$ 510,577
Cash equivalents	804,824	500,214	1,645,067	2,950,105	-	2,950,105
Investments	1,620,732	245,000	-	1,865,732	-	1,865,732
Receivables:						
Property taxes	7,861	41,837	-	49,698	-	49,698
Service accounts, no provision for uncollectible accounts	267,205	-	-	267,205	-	267,205
Service accounts of District No. 22 (Note 11)	20,380	-	-	20,380	-	20,380
Interest	1,881	34	-	1,915	-	1,915
Interfund receivable	13,082	-	1,200	14,282	(14,282)	-
Other	4,753	-	-	4,753	-	4,753
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	23,603	23,603
Water, wastewater and drainage facilities	-	-	-	-	24,171,327	24,171,327
Equipment	-	-	-	-	18,500	18,500
TOTAL ASSETS	\$ 3,251,295	\$ 787,085	\$ 1,646,267	\$ 5,684,647	24,199,148	29,883,795
<u>DEFERRED OUTFLOWS OF RESOURCES</u>						
Deferred charges on refundings	-	-	-	-	1,852,022	1,852,022
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	-	-	-	1,852,022	1,852,022
<u>LIABILITIES</u>						
Accounts payable	\$ 269,725	\$ -	\$ -	\$ 269,725	-	269,725
Accrued interest payable	-	-	-	-	100,469	100,469
Refundable deposits	266,718	-	-	266,718	-	266,718
Interfund payables	-	13,720	562	14,282	(14,282)	-
Intergovernmental payable	35,738	-	-	35,738	-	35,738
Due to developer	-	-	887	887	-	887
Bonds payable:						
Due within one year	-	-	-	-	935,000	935,000
Due after one year	-	-	-	-	32,190,263	32,190,263
TOTAL LIABILITIES	572,181	13,720	1,449	587,350	33,211,450	33,798,800
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property taxes	7,861	41,837	-	49,698	(49,698)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	7,861	41,837	-	49,698	(49,698)	-
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Restricted for:						
Debt service	-	731,528	-	731,528	(731,528)	-
Capital projects	-	-	1,644,818	1,644,818	(1,644,818)	-
Unassigned	2,671,253	-	-	2,671,253	(2,671,253)	-
TOTAL FUND BALANCES	2,671,253	731,528	1,644,818	5,047,599	(5,047,599)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,251,295	\$ 787,085	\$ 1,646,267	\$ 5,684,647		
<u>NET POSITION</u>						
Net investment in capital assets					(5,414,993)	(5,414,993)
Restricted for debt service					672,896	672,896
Unrestricted					2,679,114	2,679,114
TOTAL NET POSITION					\$ (2,062,983)	\$ (2,062,983)

The accompanying notes are an integral part of this statement.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - wide Statement of Activities
REVENUES:						
Service revenues, including penalties	\$ 2,121,371	\$ -	\$ -	\$ 2,121,371	\$ -	\$ 2,121,371
System connection / inspection fees	48,200	-	-	48,200	-	48,200
Property taxes, including penalties	598,879	2,073,979	-	2,672,858	13,875	2,686,733
Interest	8,295	2,780	305	11,380	-	11,380
Other	344	-	-	344	-	344
TOTAL REVENUES	2,777,089	2,076,759	305	4,854,153	13,875	4,868,028
EXPENDITURES / EXPENSES:						
Current:						
Water / wastewater purchases	1,442,905	-	-	1,442,905	-	1,442,905
Garbage collection fees	180,496	-	-	180,496	-	180,496
Tap connection / inspection fees	30,661	-	-	30,661	-	30,661
Repairs and maintenance	156,212	-	-	156,212	-	156,212
Utilities	37,163	-	-	37,163	-	37,163
Director fees, including payroll taxes and reimbursements	8,397	-	-	8,397	-	8,397
Legal fees	77,721	-	-	77,721	-	77,721
Engineering fees	108,137	-	-	108,137	-	108,137
Operations / management fees	142,829	-	-	142,829	-	142,829
Bookkeeping fees	24,750	-	-	24,750	-	24,750
Audit fees	14,500	-	-	14,500	-	14,500
Insurance	5,928	-	-	5,928	-	5,928
Tax appraisal / collection	4,417	15,197	-	19,614	-	19,614
Financial advisor fees	525	1,805	-	2,330	-	2,330
Other	8,551	8,000	-	16,551	-	16,551
Debt service:						
Principal	-	945,000	-	945,000	(945,000)	-
Interest	-	1,144,115	-	1,144,115	238,825	1,382,940
Fiscal agent fees and other	-	4,400	-	4,400	-	4,400
Bond issuance costs	-	197,549	315,103	512,652	-	512,652
Capital outlay	183,226	-	1,509,893	1,693,119	(1,693,119)	-
Depreciation	-	-	-	-	548,133	548,133
TOTAL EXPENDITURES / EXPENSES	2,426,418	2,316,066	1,824,996	6,567,480	(1,851,161)	4,716,319
Excess (deficiency) of revenues over (under) expenditures / expenses	350,671	(239,307)	(1,824,691)	(1,713,327)	1,865,036	151,709
OTHER FINANCING SOURCES / (USES):						
Proceeds from sale of bonds	-	232,536	3,117,464	3,350,000	(3,350,000)	-
Proceeds from refunding bonds	-	4,645,000	-	4,645,000	(4,645,000)	-
Payments to refunded bonds escrow agent	-	(4,456,349)	-	(4,456,349)	4,456,349	-
Premium on sale of bonds	-	14,285	-	14,285	(14,285)	-
Proceeds from sale of capital assets	-	-	78,761	78,761	(73,379)	5,382
TOTAL OTHER FINANCING SOURCES, NET	-	435,472	3,196,225	3,631,697	(3,626,315)	5,382
Change in fund balances / net position	350,671	196,165	1,371,534	1,918,370	(1,761,279)	157,091
FUND BALANCES / NET POSITION:						
Beginning of the year, as restated	2,320,582	535,363	273,284	3,129,229	(5,349,303)	(2,220,074)
End of the year	\$ 2,671,253	\$ 731,528	\$ 1,644,818	\$ 5,047,599	\$ (7,110,582)	\$ (2,062,983)

The accompanying notes are an integral part of this statement.

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Williamson County Water, Sewer, Irrigation and Drainage District No. 3 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. GAAP 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 effective June 18, 1987 by House Bill 2528, Acts of the 70th Texas Legislature, Regular Session, which has since been codified as Chapter 8486 of the Texas Special District Local Laws Code. 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 (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District's reporting entity.

Basis of Presentation - Government-wide and Fund Financial Statements - The basic financial statements are prepared in conformity with GASB Statement No. 34, and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. GASB Statement No. 34 also requires as supplementary information the 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 Financial 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 and deferred charges on refunding bonds.

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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- **Fund Financial Statements:** Fund based financial statement columns are provided for governmental funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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, deferred outflows of resources, liabilities, deferred inflows of resources, 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 accumulation of resources for, and 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.

Basis of Accounting

- **Governmental Funds**
 - ***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.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

• **Governmental Funds (continued) -**

- *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, deferred outflows of resources, current liabilities, and deferred inflows of resources 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 fund balance. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available).

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

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

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds. As of September 30, 2015, no accrual for property taxes collected within 60 days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Budgets and Budgetary Accounting - A budget was adopted on September 10, 2014, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end.

Cash, Cash Equivalents and Investments - Cash and cash equivalents include cash on deposit as well as investments with original maturities of three months or less. The investments, consisting of obligations in the State Treasurer's Investment Pool, money market funds, a mutual fund and certificates of deposit, are recorded at cost, which approximates fair market value.

Capital Assets - Capital assets, which include land, equipment and water, wastewater and drainage facilities, are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets including equipment and water, wastewater and drainage facilities, 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.

Capital assets (other than land) are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Water, Wastewater and Drainage Facilities	10 - 50
Equipment	10 - 20

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

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

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

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Ad Valorem Property Taxes - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Deferred Outflows and Deferred Inflows of Resources - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7 for additional information on deferred outflows of resources.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 12 for additional information on those fund balance classifications.

Reclassifications - Certain amounts in the prior year have been reclassified to conform to the presentation adopted in the current year. There was no impact on fund balance or net position.

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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		\$ 5,047,599
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	\$ 27,262,172	
Less: Accumulated depreciation	<u>(3,048,742)</u>	24,213,430
Revenue is recognized when earned in the government-wide statements, regardless of availability.		
Governmental funds report deferred inflows of resources for revenues earned but not available.		49,698
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Bonds payable	(32,970,000)	
Bond issuance discounts, net	90,861	
Bond issuance premiums, net	(246,124)	
Deferred charges on refundings, net	1,852,022	
Accrued interest	<u>(100,469)</u>	<u>(31,373,710)</u>
Net position of governmental activities		<u><u>\$ (2,062,983)</u></u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS (continued) -

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

Changes in fund balances - governmental funds		\$ 1,918,370
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital expenditures in year paid	\$ 1,693,119	
Bond principal in year paid	945,000	
Interest expenditures in year paid	(4,633)	
Tax revenue when collected	13,875	
Bond sales and refunding activity and related bond premium	<u>(3,552,936)</u>	(905,575)
Governmental funds do not report:		
Depreciation	(548,133)	
Disposal of capital assets	(73,379)	
Amortization of bond discounts	(115,461)	
Amortization of bond premiums	15,639	
Amortization of deferred charges on refundings	<u>(134,370)</u>	(855,704)
Change in net position of governmental activities		<u><u>\$ 157,091</u></u>

3. CASH, CASH EQUIVALENTS AND INVESTMENTS

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act") and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation ("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, 2015, the carrying amount of the District's deposits was \$510,577 and the bank balance was \$591,243. The bank balance was covered by FDIC insurance and other pledged collateral.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) -

Cash Equivalents and 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 AAAm by a nationally recognized rating agency.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) -

At September 30, 2015, the District held the following cash equivalents and investments:

Investment	Fair Market Value at 9/30/2015	Weighted Average Maturity (Days)	Investment Rating	
			Rating	Rating Agency
TexPool	\$ 1,565,158	1	AAA	Standard & Poors
Money markets	282,054	1	Various	Various
Mutual fund	1,102,893	8	AAAm	Standard & Poors
Certificates of deposit	1,865,732	69	Various	Various
	<u>\$ 4,815,837</u>			

The Comptroller of Public Accounts is the sole officer and director of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the Texas Local Government Investment Pool (“TexPool”). Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at fair value which is the same as the value of the pool shares. TexPool also has an advisory board to advise on TexPool’s investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors is the investment manager for the pool and manages daily operations of TexPool under a contract with the Comptroller. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

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.

Custodial credit risk. 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, 2015, the District’s bank deposits were covered by FDIC insurance and other pledged collateral.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 Williamson Central Appraisal District and 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 Williamson County Tax Assessor Collector and Travis County Tax Collector bill and collect the District's property taxes. The Board set the tax rates for the 2015 fiscal year (2014 tax year) on September 10, 2014.

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 2014 tax roll. The 2014 tax rate, based on total taxable assessed valuation of \$326,319,150 was \$0.8082 on each \$100 valuation and was allocated to the General Fund and Debt Service Fund at \$0.1820 and \$0.6262, respectively. The maximum allowable maintenance tax of \$1.00 was established by the voters on November 7, 2000.

Property taxes receivable at September 30, 2015, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 621	\$ 2,140	\$ 2,761
Prior years' levies	567	2,773	3,340
Rollbacks	6,673	36,924	43,597
	<u>\$ 7,861</u>	<u>\$ 41,837</u>	<u>\$ 49,698</u>

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds are made, is as follows at September 30, 2015:

	Interfund	
	Receivables	Payables
General Fund:		
Debt Service Fund	\$ 12,520	\$ -
Capital Projects Fund	562	-
Debt Service Fund:		
General Fund	-	12,520
Capital Projects Fund	-	1,200
Capital Projects Fund:		
General Fund	-	562
Debt Service Fund	1,200	-
	<u>\$ 14,282</u>	<u>\$ 14,282</u>

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated-				
Land	\$ 23,603	\$ -	\$ -	\$ 23,603
Capital assets being depreciated:				
Water/Wastewater/Drainage Facilities	25,624,211	1,674,372	(78,761)	27,219,822
Equipment	-	18,747	-	18,747
Total capital assets	<u>25,624,211</u>	<u>1,693,119</u>	<u>(78,761)</u>	<u>27,238,569</u>
Less accumulated depreciation for:				
Water/Wastewater/Drainage Facilities	(2,505,991)	(547,886)	5,382	(3,048,495)
Equipment	-	(247)	-	(247)
Total accumulated depreciation	<u>(2,505,991)</u>	<u>(548,133)</u>	<u>5,382</u>	<u>(3,048,742)</u>
Capital assets being depreciated, net	<u>23,118,220</u>	<u>1,144,986</u>	<u>(73,379)</u>	<u>24,189,827</u>
Total capital assets, net of accumulated depreciation	<u>\$23,141,823</u>	<u>\$ 1,144,986</u>	<u>\$ (73,379)</u>	<u>\$24,213,430</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2015:

Deferred charges on refundings - September 30, 2014, as restated	\$ 1,605,043
Additions from Series 2015 refunding	381,349
Retirements from Series 2015, Series 2013, Series 2012 and Series 2010 refundings	<u>(134,370)</u>
Deferred charges on refundings - September 30, 2015	<u><u>\$ 1,852,022</u></u>

8. BONDED DEBT

The following is a summary of bond transactions of the District as of and for the year ended September 30, 2015:

	Combination Unlimited <u>Tax and Revenue</u>
Bonds payable at September 30, 2014	\$ 29,995,000
Bonds issued	7,995,000
Bonds refunded	(4,075,000)
Bonds retired	(945,000)
Bond discounts, net of accumulated amortization	(90,861)
Bond premiums, net of accumulated amortization	<u>246,124</u>
Bonds payable at September 30, 2015	<u><u>\$ 33,125,263</u></u>

Bonds payable at September 30, 2015, were comprised of the following issues:

Unlimited Tax Bonds:

\$150,000 - 2009 Unlimited Tax Bonds payable serially through the year 2016 at interest rates which range from 4.30% to 6.25%.

\$2,475,000 - 2010A Unlimited Tax Bonds payable serially through the year 2034 at interest rates which range from 2.00% to 5.10%.

\$1,980,000 - 2011 Unlimited Tax Bonds payable serially through the year 2035 at interest rates which range from 2.75% to 4.50%.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

8. BONDED DEBT (continued) -

\$2,935,000 - 2013 Unlimited Tax Bonds payable serially through the year 2036 at interest rates which range from 3.00% to 4.00%.

\$3,665,000 - 2013B Unlimited Tax Bonds payable serially through the year 2037 at interest rates which range from 4.625% to 6.25%.

\$3,345,000 - 2015A Unlimited Tax Bonds payable serially through the year 2039 at interest rates which range from 2.00% to 3.375%.

Unlimited Tax Refunding Bonds:

\$3,990,000 - 2010 Unlimited Tax Refunding Bonds payable serially through the year 2032 at interest rates which range from 3.00% to 4.70%.

\$7,925,000 - 2012 Unlimited Tax Refunding Bonds payable serially through the year 2030 at interest rates which range from 2.00% to 4.00%.

\$1,965,000 - 2013A Unlimited Tax Refunding Bonds payable serially through the year 2031 at interest rates which range from 2.00% to 3.125%.

\$4,540,000 - 2015 Unlimited Tax Refunding Bonds payable serially through the year 2033 at interest rates which range from 2.00% to 3.375%.

On January 8, 2015, the District issued \$4,645,000 of Unlimited Tax Refunding Bonds, Series 2015, to advance refund \$4,075,000 of its previously issued Series 2009 bonds in order to lower its overall debt service requirements. The net proceeds of \$4,464,212 (after payment of \$180,788 in underwriting fees, insurance, and other issuance costs) were used for the following: \$4,456,349 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded and \$7,863 was deposited in the Debt Service Fund for future interest and principal payments and additional issuance costs. As a result, \$4,075,000 of bond principal is considered defeased and the liability for these bonds was removed from the basic financial statements. At September 30, 2015, the entire \$4,075,000 of outstanding bonds is considered defeased as none of the refunded bonds were retired prior to fiscal year end. The reacquisition price exceeded the amount of the old debt by \$381,349, which will be amortized over the remaining life of the refunded debt which is equal to the life of the new debt. The advance refunding resulted in an economic gain to the District of \$239,742.

On January 28, 2015, the District issued \$3,350,000 of Unlimited Tax Bonds, Series 2015A, with interest rates ranging from 2.00% to 3.375%. The net proceeds of \$3,048,440 (after payment of \$301,560 in underwriter fees, insurance, and other bond related costs) were deposited with the District's investment accounts to finance construction costs, water and wastewater impact fees, and to pay for accrued bond interest and subsequent bond issue costs.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

8. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt at September 30, 2015, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2016	\$ 935,000	\$ 1,205,624	\$ 2,140,624
2017	970,000	1,179,398	2,149,398
2018	965,000	1,158,223	2,123,223
2019	1,010,000	1,137,048	2,147,048
2020	1,040,000	1,108,123	2,148,123
2021 - 2025	6,585,000	4,970,098	11,555,098
2026 - 2030	8,175,000	3,678,369	11,853,369
2031 - 2035	8,540,000	2,137,936	10,677,936
2036 - 2039	4,750,000	440,438	5,190,438
	<u>\$ 32,970,000</u>	<u>\$ 17,015,257</u>	<u>\$ 49,985,257</u>

\$731,528 is available in the Debt Service Fund to service the bonded debt. Bonds authorized but not issued amounted to \$6,425,000 at September 30, 2015.

In prior years, the District defeased certain outstanding general obligation bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the defeased bonds are not included in the District's financial statements. At September 30, 2015, outstanding bonds of \$4,075,000 are considered defeased.

9. 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, 2000, a bond election held within the District approved authorization to issue \$31,345,000 of bonds to fund costs of proposed works, improvements, facilities, plants, equipment, appliances and non-construction costs based upon the District's engineer's report. On May 12, 2012, a bond election held within the District approved authorization to issue an additional \$9,805,000 of bonds to fund system facilities. As of September 30, 2015, the District has issued \$34,725,000 of Unlimited Tax Bonds to reimburse the developer for water, wastewater and drainage improvements.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

10. RISK MANAGEMENT

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

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

11. INTERLOCAL AGREEMENTS

On February 22, 2012, the District entered into an “Agreement Concerning Management and Operation of District Facilities” with Williamson County Municipal Utility District No. 22 (“District No. 22”). Pursuant to this agreement, the District agreed to operate and maintain the water, wastewater, and drainage facilities within both Districts and to provide retail water and wastewater service to customers within the boundaries of both Districts. The District agreed to maintain separate accounting for revenues received from District No. 22 customers. Such revenues are used to compensate the District for the costs of providing services to District No. 22 customers. As of September 30, 2015, the District owed District No. 22 \$35,738 for collected revenues, net of allocated operating expenses.

In May 2006, the District and the City of Hutto (the “City”) executed a strategic partnership agreement pursuant to Section 43.0751, Texas Local Government Code, whereby the commercial portion of the District (approximately 116 acres) was annexed into the City for limited purposes, while the balance of the District remains in the City’s extraterritorial jurisdiction. As a result of the limited purposes annexation, the City imposes its 2% sales and use taxes (but not its property taxes) within the area of limited purpose annexation. The City has also agreed to grant 50% of such sales tax funds collected within the District to the developers for the construction of certain roads necessary for further commercial and residential development within the District and the Hutto area. In addition, pursuant to the strategic partnership agreement, the City has agreed not to annex the District for general purposes until the earlier of 30 years from the date of the agreement or upon the completion and issuance of District bonds for 90% of utility infrastructure by the District.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

12. FUND BALANCES

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

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. The District had no such amounts.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District had no such amounts.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances are included in the Governmental Funds Balance Sheet on page FS-1.

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

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
NOTES TO THE BASIC FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

13. PRIOR PERIOD ADJUSTMENT

In previous years, the District issued Series 2010, Series 2012 and Series 2013A Unlimited Tax Refunding Bonds to advance refund \$3,320,000, \$5,175,000 and \$4,290,000 of its Series 2006, Series 2007 and Series 2008 bonds, respectively. In total, the reacquisition price exceeded the carrying amount of the old debt by \$1,957,520 (deferred charges), which was erroneously amortized through the call date of the old debt. Deferred charges on bond refundings are to be amortized over the shorter of either 1) the original life of the old debt or 2) the life of the refunding bonds. In the case of the Series 2010, Series 2012 and Series 2013A refunding bonds, the deferred charges should be amortized over the life of the old debt, which is shorter than or equal to the life of the respective refunding bonds. The effect of the correction of this error is as follows:

Net position - September 30, 2014	\$ (3,627,197)
Effect of adjustment	<u>1,407,123</u>
Net position - September 30, 2014, as restated	<u><u>\$ (2,220,074)</u></u>

**REQUIRED
SUPPLEMENTAL INFORMATION**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2015**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Service revenues, including penalties	\$ 2,121,371	\$ 1,905,466	\$ 215,905
System connection / inspection fees	48,200	120,000	(71,800)
Property taxes, including penalties	598,879	586,654	12,225
Interest	8,295	6,000	2,295
Other	344	2,500	(2,156)
TOTAL REVENUES	<u>2,777,089</u>	<u>2,620,620</u>	<u>156,469</u>
EXPENDITURES:			
Current:			
Water / wastewater purchases	1,442,905	1,331,643	(111,262)
Garbage collection fees	180,496	177,235	(3,261)
Tap connection / inspection fees	30,661	45,000	14,339
Repairs and maintenance	156,212	198,000	41,788
Utilities	37,163	33,000	(4,163)
Director fees, including payroll taxes and reimbursements	8,397	9,779	1,382
Legal fees	77,721	75,000	(2,721)
Engineering fees	108,137	80,000	(28,137)
Operations / management fees	142,829	128,584	(14,245)
Bookkeeping fees	24,750	24,750	-
Audit fees	14,500	15,000	500
Insurance	5,928	2,500	(3,428)
Tax appraisal / collection	4,417	4,000	(417)
Financial advisor fees	525	563	38
Other	8,551	6,000	(2,551)
Capital outlay	183,226	150,000	(33,226)
TOTAL EXPENDITURES	<u>2,426,418</u>	<u>2,281,054</u>	<u>(145,364)</u>
Excess of revenues over expenditures	350,671	<u>\$ 339,566</u>	<u>\$ 11,105</u>
FUND BALANCE:			
Beginning of the year	<u>2,320,582</u>		
End of the year	<u>\$ 2,671,253</u>		

TEXAS
SUPPLEMENTAL INFORMATION

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015**

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

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input checked="" type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

2. Retail Service Providers

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER (RES.):	\$ 34.70 ⁽¹⁾	2,000	N	\$ 4.00	2,001 - 15,000
				\$ 5.25	Over 15,001
WATER (COM.):	\$ 15.00 ⁽¹⁾	-	N	\$ 4.00	0 - 15,000
				\$ 5.25	Over 15,001
WASTEWATER (RES.):	\$ 56.74	-	Y	N/A	Unlimited
WASTEWATER (COM.):	\$ 56.74	-	N	\$ 5.03	Unlimited

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

Total charges per 10,000 gallons usage:

Residential:	Water	\$ 66.70 ⁽¹⁾	Wastewater	\$ 56.74
Commercial:	Water	\$ 55.00 ⁽¹⁾	Wastewater	\$ 107.04

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
< 3/4"	1,277.0	1,271.0	1.0	1,271.0
1"	2.0	2.0	2.5	5.0
1 1/2"	2.0	2.0	5.0	10.0
2"	4.0	4.0	8.0	32.0
3"	2.0	2.0	15.0	30.0
4"	1.0	1.0	25.0	25.0
6"	-	-	50.0	-
8"	-	-	80.0	-
10"	-	-	115.0	-
Total Water	1,288.0	1,282.0		1,373.0
Total Wastewater	1,291.0	1,285.0	1.0	1,285.0

⁽¹⁾ Water Usage and Solid Waste Pick-Up Charge Per Fee Unit.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2015**

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

Gallons pumped into system: 167,424

Gallons billed to customers: 163,874

<u>Water Accountability Ratio</u> (Gallons billed / Gallons Pumped) 97.9%
--

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, Williamson

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: City of Hutto, Texas (1)

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

Entirely ☐ Partly ☒ Not at all ☐

ETJ's in which district is located: City of Hutto, Texas (1)

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? N/A

(1) - The commercial acreage within the District has been annexed by the City of Hutto, Texas for limited purposes.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2015**

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	14,500
Legal	77,721
Engineering	108,137
Financial Advisor	525
Purchased Services for Resale-	
Bulk Water and Wastewater Purchases	1,442,905
Contracted Services:	
Bookkeeping	24,750
General Manager	142,829
Appraisal District/Tax Collector	4,417
Other Contracted Services	-
Utilities	37,163
Repairs and Maintenance	156,212
Administrative Expenditures:	
Directors' Fees	8,397
Office Supplies	-
Insurance	5,928
Other Administrative Expenditures	-
Capital Outlay:	
Capitalized Assets	183,226
Expenditures not Capitalized	-
Tap Connection Expenditures	30,661
Solid Waste Disposal	180,496
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	8,551
TOTAL EXPENDITURES	<u><u>\$ 2,426,418</u></u>

Number of persons employed by the District:

☐ Full-Time ☒ Part-Time

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2015**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
TexPool	XXX0001	Varies	Daily	\$ 804,824	\$ -
Certificate of deposit	XXX0825	0.4000%	12/4/2015	245,000	315
Certificate of deposit	XXX3564	0.4000%	11/30/2015	245,000	318
Certificate of deposit	XXX3073	0.3500%	2/12/2016	245,000	109
Certificate of deposit	XXX5996	0.5500%	3/10/2016	245,000	74
Certificate of deposit	XXX0310	0.4000%	3/7/2016	150,000	35
Certificate of deposit	XXX5115	0.4000%	12/27/2015	245,000	501
Certificate of deposit	XXX6884	0.4000%	12/17/2015	245,732	529
Total General Fund				2,425,556	1,881
Debt Service Fund:					
TexPool	XXX0002	Varies	Daily	16,223	-
TexPool	XXX0003	Varies	Daily	40,152	-
TexPool	XXX0020	Varies	Daily	161,785	-
Money Market	XXX3799	Varies	Daily	34,745	-
Money Market	XXXX637	Varies	Daily	247,309	-
Certificate of deposit	XXX8635	0.2000%	3/3/2016	245,000	34
Total Debt Service Fund				745,214	34
Capital Projects Fund:					
TexPool	XXX0017	Varies	Daily	44,313	-
TexPool	XXX0019	Varies	Daily	196,464	-
TexPool	XXX0021	Varies	Daily	301,397	-
Mutual fund	XXX7018	Varies	Daily	1,102,893	-
Total Capital Projects Fund				1,645,067	-
Total - All Funds				\$ 4,815,837	\$ 1,915

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2015**

			Maintenance Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year			\$ 5,039	\$ 30,784
2014 Original tax levy, less abatements			592,417	2,038,304
Tax adjustments			1,506	5,168
Rollbacks			6,673	36,924
Total to be accounted for			605,635	2,111,180
Tax collections:				
Current year			593,312	2,041,384
Prior years			888	6,038
Rollbacks			3,574	21,921
Total collections			597,774	2,069,343
Taxes Receivable, End of Year			\$ 7,861	\$ 41,837
Taxes Receivable, by Years				
Rollbacks			\$ 6,673	\$ 36,924
2011 and prior			11	35
2012			253	1,337
2013			303	1,401
2014			621	2,140
Taxes Receivable, End of Year			\$ 7,861	\$ 41,837
Property Valuations:	2014	2013	2012	2011
Land and improvements	\$ 326,319,150 (a)	\$ 272,272,656 (a)	\$ 240,684,349 (a)	\$ 209,800,052 (a)
Total Property Valuations	\$ 326,319,150	\$ 272,272,656	\$ 240,684,349	\$ 209,800,052
Tax Rates per \$100 Valuation:				
Maintenance tax rates	\$ 0.1820	\$ 0.1447	\$ 0.1295	\$ 0.0749
Debt Service tax rates	0.6262	0.6703	0.6855	0.7401
Total Tax Rates per \$100 Valuation:	\$ 0.8082	\$ 0.8150	\$ 0.8150	\$ 0.8150
Original Tax Levy	\$ 2,630,721	\$ 2,217,912	\$ 1,962,169	\$ 1,709,870
Percent of Taxes Collected to Taxes Levied **	99.9%	99.9%	99.9%	100.0%
Maximum Maintenance Tax Rate Approved by Voters:	\$ 1.00	on 11/7/2000		

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

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

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2015**

Fiscal Year Ending	Unlimited Tax Bonds Series 2009			Unlimited Tax Refunding Bonds Series 2010			Unlimited Tax Bonds Series 2010A			Unlimited Tax Bonds Series 2011		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2016	150,000	9,375	159,375	60,000	173,403	233,403	5,000	120,258	125,258	5,000	88,419	93,419
2017	-	-	-	60,000	171,603	231,603	5,000	120,058	125,058	5,000	88,281	93,281
2018	-	-	-	65,000	169,203	234,203	5,000	119,845	124,845	5,000	88,131	93,131
2019	-	-	-	65,000	166,603	231,603	5,000	119,633	124,633	5,000	87,981	92,981
2020	-	-	-	70,000	164,003	234,003	5,000	119,420	124,420	5,000	87,831	92,831
2021	-	-	-	70,000	161,203	231,203	5,000	119,208	124,208	5,000	87,681	92,681
2022	-	-	-	295,000	158,403	453,403	100,000	118,995	218,995	5,000	87,531	92,531
2023	-	-	-	305,000	146,603	451,603	100,000	114,620	214,620	5,000	87,344	92,344
2024	-	-	-	310,000	134,098	444,098	100,000	110,245	210,245	5,000	87,156	92,156
2025	-	-	-	310,000	121,078	431,078	125,000	105,870	230,870	5,000	86,969	91,969
2026	-	-	-	320,000	107,903	427,903	125,000	100,089	225,089	5,000	86,781	91,781
2027	-	-	-	325,000	94,143	419,143	150,000	94,308	244,308	5,000	86,594	91,594
2028	-	-	-	335,000	79,843	414,843	150,000	87,370	237,370	5,000	86,375	91,375
2029	-	-	-	340,000	64,768	404,768	175,000	80,058	255,058	5,000	86,156	91,156
2030	-	-	-	345,000	49,298	394,298	175,000	71,526	246,526	5,000	85,938	90,938
2031	-	-	-	355,000	33,428	388,428	200,000	62,995	262,995	5,000	85,719	90,719
2032	-	-	-	360,000	16,920	376,920	300,000	52,995	352,995	5,000	85,500	90,500
2033	-	-	-	-	-	-	350,000	37,995	387,995	250,000	85,275	335,275
2034	-	-	-	-	-	-	395,000	20,145	415,145	600,000	74,025	674,025
2035	-	-	-	-	-	-	-	-	-	1,045,000	47,025	1,092,025
2036	-	-	-	-	-	-	-	-	-	-	-	-
2037	-	-	-	-	-	-	-	-	-	-	-	-
2038	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 150,000</u>	<u>\$ 9,375</u>	<u>\$ 159,375</u>	<u>\$ 3,990,000</u>	<u>\$ 2,012,503</u>	<u>\$ 6,002,503</u>	<u>\$ 2,475,000</u>	<u>\$ 1,775,633</u>	<u>\$ 4,250,633</u>	<u>\$ 1,980,000</u>	<u>\$ 1,686,712</u>	<u>\$ 3,666,712</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2015**

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2012			Unlimited Tax Bonds Series 2013			Unlimited Tax Refunding Bonds Series 2013A			Unlimited Tax Bonds Series 2013B		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2016	245,000	247,400	492,400	10,000	92,088	102,088	395,000	53,431	448,431	5,000	177,438	182,438
2017	480,000	242,500	722,500	10,000	91,688	101,688	190,000	45,531	235,531	5,000	177,125	182,125
2018	655,000	232,900	887,900	10,000	91,288	101,288	10,000	41,731	51,731	5,000	176,813	181,813
2019	685,000	219,800	904,800	10,000	90,888	100,888	10,000	41,531	51,531	5,000	176,500	181,500
2020	685,000	199,250	884,250	20,000	90,488	110,488	10,000	41,331	51,331	5,000	176,188	181,188
2021	715,000	178,700	893,700	100,000	89,688	189,688	10,000	41,031	51,031	5,000	175,875	180,875
2022	500,000	157,250	657,250	125,000	85,688	210,688	10,000	40,731	50,731	5,000	175,563	180,563
2023	530,000	142,250	672,250	125,000	81,938	206,938	10,000	40,431	50,431	5,000	175,250	180,250
2024	530,000	126,350	656,350	125,000	78,188	203,188	15,000	40,131	55,131	5,000	174,938	179,938
2025	555,000	110,450	665,450	150,000	74,438	224,438	15,000	39,681	54,681	5,000	174,625	179,625
2026	580,000	93,800	673,800	150,000	69,938	219,938	15,000	39,231	54,231	5,000	174,313	179,313
2027	615,000	70,600	685,600	150,000	65,438	215,438	15,000	38,781	53,781	5,000	174,000	179,000
2028	645,000	46,000	691,000	150,000	60,938	210,938	15,000	38,331	53,331	5,000	173,688	178,688
2029	245,000	20,200	265,200	175,000	56,438	231,438	415,000	37,881	452,881	5,000	173,375	178,375
2030	260,000	10,400	270,400	200,000	51,188	251,188	405,000	25,431	430,431	5,000	173,063	178,063
2031	-	-	-	225,000	45,188	270,188	425,000	13,281	438,281	5,000	172,750	177,750
2032	-	-	-	225,000	38,438	263,438	-	-	-	5,000	172,438	177,438
2033	-	-	-	225,000	31,688	256,688	-	-	-	5,000	172,125	177,125
2034	-	-	-	250,000	24,375	274,375	-	-	-	850,000	171,813	1,021,813
2035	-	-	-	250,000	16,250	266,250	-	-	-	875,000	129,313	1,004,313
2036	-	-	-	250,000	8,125	258,125	-	-	-	900,000	85,563	985,563
2037	-	-	-	-	-	-	-	-	-	950,000	43,938	993,938
2038	-	-	-	-	-	-	-	-	-	-	-	-
2039	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 7,925,000</u>	<u>\$ 2,097,850</u>	<u>\$ 10,022,850</u>	<u>\$ 2,935,000</u>	<u>\$ 1,334,384</u>	<u>\$ 4,269,384</u>	<u>\$ 1,965,000</u>	<u>\$ 618,496</u>	<u>\$ 2,583,496</u>	<u>\$ 3,665,000</u>	<u>\$ 3,576,694</u>	<u>\$ 7,241,694</u>

**WILLIAMSON COUNTY WATER, SEWER
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2015**

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2015			Unlimited Tax Bonds Series 2015A			Annual Requirements for All Series		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2016	55,000	132,631	187,631	5,000	111,181	116,181	935,000	1,205,624	2,140,624
2017	210,000	131,531	341,531	5,000	111,081	116,081	970,000	1,179,398	2,149,398
2018	205,000	127,331	332,331	5,000	110,981	115,981	965,000	1,158,223	2,123,223
2019	220,000	123,231	343,231	5,000	110,881	115,881	1,010,000	1,137,048	2,147,048
2020	215,000	118,831	333,831	25,000	110,781	135,781	1,040,000	1,108,123	2,148,123
2021	210,000	112,381	322,381	25,000	110,281	135,281	1,145,000	1,076,048	2,221,048
2022	230,000	106,081	336,081	25,000	109,719	134,719	1,295,000	1,039,961	2,334,961
2023	230,000	99,181	329,181	25,000	109,156	134,156	1,335,000	996,773	2,331,773
2024	255,000	92,281	347,281	25,000	108,531	133,531	1,370,000	951,918	2,321,918
2025	250,000	84,631	334,631	25,000	107,656	132,656	1,440,000	905,398	2,345,398
2026	275,000	77,131	352,131	25,000	106,781	131,781	1,500,000	855,967	2,355,967
2027	270,000	68,881	338,881	25,000	105,906	130,906	1,560,000	798,651	2,358,651
2028	290,000	60,781	350,781	50,000	105,031	155,031	1,645,000	738,357	2,383,357
2029	310,000	52,081	362,081	50,000	103,281	153,281	1,720,000	674,238	2,394,238
2030	305,000	42,781	347,781	50,000	101,531	151,531	1,750,000	611,156	2,361,156
2031	325,000	33,250	358,250	50,000	99,906	149,906	1,590,000	546,517	2,136,517
2032	345,000	22,688	367,688	50,000	98,281	148,281	1,290,000	487,260	1,777,260
2033	340,000	11,475	351,475	75,000	96,656	171,656	1,245,000	435,214	1,680,214
2034	-	-	-	75,000	94,218	169,218	2,170,000	384,576	2,554,576
2035	-	-	-	75,000	91,781	166,781	2,245,000	284,369	2,529,369
2036	-	-	-	75,000	89,344	164,344	1,225,000	183,032	1,408,032
2037	-	-	-	100,000	86,906	186,906	1,050,000	130,844	1,180,844
2038	-	-	-	1,200,000	83,531	1,283,531	1,200,000	83,531	1,283,531
2039	-	-	-	1,275,000	43,031	1,318,031	1,275,000	43,031	1,318,031
	<u>\$ 4,540,000</u>	<u>\$ 1,497,178</u>	<u>\$ 6,037,178</u>	<u>\$ 3,345,000</u>	<u>\$ 2,406,432</u>	<u>\$ 5,751,432</u>	<u>\$ 32,970,000</u>	<u>\$ 17,015,257</u>	<u>\$ 49,985,257</u>

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2015**

	Bond Issue											
	Series 2008	Series 2009	Series 2010	Series 2010A	Series 2011	Series 2012	Series 2013	Series 2013A	Series 2013B	Series 2015	Series 2015A	Total
Interest Rate	6.00% - 7.50%	4.30% - 6.25%	3.00% - 4.70%	2.00% - 5.10%	2.75% - 4.50%	2.00% - 4.00%	3.00% - 4.00%	2.00% - 3.125%	4.625% - 6.250%	2.00% - 3.375%	2.00% - 3.375%	
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	
Maturity Dates	9/1/2015	9/1/2016	9/1/2032	9/1/2034	9/1/2035	9/1/2030	9/1/2036	9/1/2031	9/1/2037	9/1/2033	9/1/2039	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 155,000	\$ 4,350,000	\$ 4,050,000	\$ 2,480,000	\$ 1,985,000	\$ 8,025,000	\$ 2,940,000	\$ 2,340,000	\$ 3,670,000	\$ -	\$ -	\$ 29,995,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	-	-	-	4,645,000	3,350,000	7,995,000
Retirements During the Current Fiscal Year:												
Refunded Principal	- (155,000)	(4,075,000) (125,000)	- (60,000)	- (5,000)	- (5,000)	- (100,000)	- (5,000)	- (375,000)	- (5,000)	- (105,000)	- (5,000)	(4,075,000) (945,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 3,990,000</u>	<u>\$ 2,475,000</u>	<u>\$ 1,980,000</u>	<u>\$ 7,925,000</u>	<u>\$ 2,935,000</u>	<u>\$ 1,965,000</u>	<u>\$ 3,665,000</u>	<u>\$ 4,540,000</u>	<u>\$ 3,345,000</u>	<u>\$ 32,970,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 9,300</u>	<u>\$ 17,188</u>	<u>\$ 175,202</u>	<u>\$ 120,458</u>	<u>\$ 88,556</u>	<u>\$ 249,400</u>	<u>\$ 92,288</u>	<u>\$ 60,932</u>	<u>\$ 177,750</u>	<u>\$ 87,199</u>	<u>\$ 65,842</u>	<u>\$ 1,144,115</u>
Paying Agent’s Name & Address:	Bank of Texas											
	Austin, TX											
Bond Authority:	Tax Bonds*	Other Bonds	Refunding Bonds									
Amount Authorized by Voters	\$ 41,150,000	\$ -	\$ 61,725,000									
Amount Issued	34,725,000	-	19,870,000									
Remaining to be Issued	<u>\$ 6,425,000</u>	<u>\$ -</u>	<u>\$ 41,855,000</u>									

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

Debt Service Fund Cash and Temporary Investments balances
as of September 30, 2015: \$ 745,214

Average Annual Debt Service Payment (Principal & Interest)
for the remaining term of all debt: \$ 2,082,719

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2015**

	Amounts					Percent of Fund Total Revenues				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011
GENERAL FUND REVENUES:										
Property taxes, including penalties	\$ 598,879	\$ 400,313	\$ 312,024	\$ 158,640	\$ 178,533	21.6%	16.0%	13.9%	8.4%	9.9%
Service revenues, including penalties	2,121,371	1,960,893	1,775,209	1,603,979	1,525,765	76.4%	78.5%	78.8%	85.3%	84.4%
System connection / inspection fees	48,200	128,950	158,550	111,850	94,500	1.7%	5.2%	7.0%	5.9%	5.2%
Interest	8,295	7,670	6,969	5,600	7,910	0.3%	0.3%	0.3%	0.4%	0.5%
Other	344	1,412	125	70	538	-	-	-	-	-
TOTAL GENERAL FUND REVENUES	2,777,089	2,499,238	2,252,877	1,880,139	1,807,246	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES & OTHER USES:										
Current:										
Water / wastewater purchases	1,442,905	1,336,973	1,170,023	1,116,796	1,065,565	52.0%	53.5%	51.9%	59.4%	59.0%
Garbage collection fees	180,496	163,936	137,376	118,065	104,419	6.5%	6.6%	6.1%	6.3%	5.8%
Repairs and maintenance	156,212	142,579	92,104	108,365	88,936	5.6%	5.7%	4.1%	5.8%	4.9%
Tap connection / inspection fees	30,661	51,959	65,099	43,825	28,830	1.1%	2.1%	2.9%	2.3%	1.6%
Utilities	37,163	35,299	32,238	41,646	31,759	1.3%	1.4%	1.4%	2.2%	1.7%
Director fees, including payroll taxes and reimbursements	8,397	9,204	7,751	8,235	9,204	0.3%	0.4%	0.3%	0.4%	0.5%
Legal fees	77,721	72,166	50,366	63,042	63,611	2.8%	2.9%	2.3%	3.4%	3.5%
Engineering fees	108,137	75,963	39,756	36,256	49,080	3.9%	3.0%	1.8%	1.9%	2.7%
Operations / management fees	142,829	132,843	119,146	104,314	96,363	5.1%	5.3%	5.3%	5.5%	5.3%
Bookkeeping fees	24,750	24,750	24,750	24,750	24,750	0.9%	1.0%	1.1%	1.3%	1.4%
Audit fees	14,500	14,500	14,500	18,000	22,500	0.5%	0.6%	0.7%	1.0%	1.2%
Insurance	5,928	3,046	2,706	2,065	1,762	0.2%	0.1%	0.1%	0.1%	0.1%
Tax appraisal / collection	4,417	2,944	2,340	1,208	1,399	0.2%	0.1%	0.1%	0.1%	0.1%
Financial advisor fees	525	426	382	244	267	0.1%	-	-	-	-
Other	8,551	5,286	7,428	23,876	10,234	0.3%	0.2%	0.3%	1.3%	0.6%
Capital Outlay	183,226	-	-	-	13,905	6.6%	-	-	-	0.8%
Operating transfer	-	28,000	-	-	200,000	-	1.1%	-	-	11.1%
TOTAL GENERAL FUND EXPENDITURES & OTHER USES	2,426,418	2,099,874	1,765,965	1,710,687	1,812,584	87.4%	84.0%	78.4%	91.0%	100.3%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 350,671	\$ 399,364	\$ 486,912	\$ 169,452	\$ (5,338)	12.6%	16.0%	21.6%	9.0%	-0.3%
DEBT SERVICE FUND REVENUES & OTHER SOURCES:										
Property taxes, including penalties	\$ 2,073,979	\$ 1,835,165	\$ 1,654,094	\$ 1,552,970	\$ 1,317,863	83.0%	91.2%	88.1%	84.0%	78.0%
Interest	2,780	3,098	3,251	4,403	4,991	0.1%	0.1%	0.2%	0.3%	0.3%
Proceeds from refunding, net of payment to escrow agent	188,651	-	122,348	107,651	-	7.6%	-	6.5%	5.8%	-
Operating transfer	-	28,000	-	-	200,000	-	1.4%	-	-	11.8%
Bond proceeds	232,536	147,000	97,567	183,921	166,621	9.3%	7.3%	5.2%	9.9%	9.9%
TOTAL DEBT SERVICE FUND REVENUES & OTHER SOURCES	2,497,946	2,013,263	1,877,260	1,848,945	1,689,475	100.0%	100.0%	100.0%	100.0%	100.0%
DEBT SERVICE FUND EXPENDITURES & OTHER USES:										
Tax appraisal / collection	15,197	13,638	12,384	11,936	10,444	0.6%	0.7%	0.7%	0.7%	0.6%
Financial advisor fees	1,805	1,975	2,019	2,407	1,989	0.1%	0.1%	0.1%	0.1%	0.1%
Principal	945,000	790,000	810,000	655,000	540,000	37.8%	39.2%	43.1%	35.4%	32.0%
Interest	1,144,115	1,193,004	1,028,557	1,094,978	1,107,102	45.8%	59.3%	54.8%	59.2%	65.5%
Fiscal agent fees and other	12,400	5,100	8,715	3,113	1,700	0.5%	0.3%	0.5%	0.2%	0.1%
Bond issuance costs	197,549	934	119,413	388,577	-	7.9%	-	6.4%	21.0%	-
Bond discount (premium)	(14,285)	-	(2,878)	(283,368)	41,771	-0.6%	-	-0.2%	-15.3%	2.5%
TOTAL DEBT SERVICE FUND EXPENDITURES & OTHER USES	\$ 2,301,781	\$ 2,004,651	\$ 1,978,210	\$ 1,872,643	\$ 1,703,006	92.1%	99.6%	105.4%	101.3%	100.8%
EXCESS (DEFICIENCY) OF DEBT SERVICE FUND REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES & OTHER USES	\$ 196,165	\$ 8,612	\$ (100,950)	\$ (23,698)	\$ (13,531)	7.9%	0.4%	-5.4%	-1.3%	-0.8%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,282	1,194	1,096	938	828					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,285	1,210	1,093	934	820					

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2015**

Complete District Mailing Address:	<u>100 Congress Ave., Suite 1300</u> <u>Austin, TX 78701</u>
District Business Telephone Number:	<u>(512) 435-2300</u>
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	<u>May 18, 2015</u>
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	<u>\$7,200</u>

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 09/30/15	Expense Reimbursements 09/30/15	Title at Year End
<u>Board Members :</u>				
Rance Richter	Elected 05/12/2012 - 11/08/2016	\$ 1,800	\$ 137	President
Jim Goldrick	Elected 05/12/2012 - 11/8/2016	\$ 1,800	\$ 160	Vice-President
Daniel Bates	Elected 11/4/2014 - 11/6/2018	\$ 1,650	\$ 389	Secretary / Treasurer
Lee Buckley	Elected 05/12/2012 - 11/8/2016	\$ 1,200	\$ 320	Assistant Sec. / Treasurer
Bob Dickerson	Elected 11/4/2014 - 11/6/2018	\$ 1,350	\$ 289	Director
<u>Consultants :</u>				
Crossroads Utility Services	11/8/2010	\$ 294,712	\$ -	District Manager
Armbrust & Brown, PLLC	10/19/1999	\$ 79,769	\$ -	Attorney
		\$ 63,500	\$ 34	Bond Related Services
Murfee Engineering Company, Inc.	10/19/1999	\$ 98,557	\$ -	Engineer
		\$ 45,000	\$ -	Bond Related Services
Bott & Douthitt, PLLC	10/01/2009	\$ 29,550	\$ 730	Bookkeeper
Maxwell Locke & Ritter LLP	02/09/2011	\$ 17,500	\$ -	Auditor
		\$ 13,500	\$ -	Bond Related Services
Public Finance Group LLC	04/9/2014	\$ 2,855	\$ -	Financial Advisor
		\$ 113,450	\$ 31,981	Bond Related Services
McCall, Parkhurst & Horton, LLP	10/19/1999	\$ 6,500	\$ -	Bond Counsel
		\$ 89,950	\$ 4,008	Bond Related Services
Williamson Co. Tax Collector	10/19/1999	\$ 16,765	\$ -	Tax Collector
Travis Co. Tax Collector	09/23/2008	\$ 2,332	\$ -	Tax Collector

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

**OTHER
SUPPLEMENTAL INFORMATION**

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2015**

Taxpayer	Type of Property	Tax Roll Year		
		2015	2014	2013
BRE MF Star Ranch LLC	*	\$ 43,000,000	\$ 38,150,000	\$ -
Fairways at Star Ranch I LLC et al	*	41,580,000	39,629,133	-
Round Rock M3-05 LLC	*	10,190,521	10,346,694	10,320,000
Forest Creek Medical Center LP	*	9,467,390	8,966,157	7,369,010
Williamson Health Realty LLC	*	7,621,971	1,057,000	-
Tack Townhomes LLC	*	7,000,000	-	-
Brushy Creek LTD	*	4,935,493	-	-
HEB Grocery Company LP	*	4,573,800	4,573,800	4,573,800
Parth Capital Group LLC	*	3,840,000	-	-
Star Golf Partners Ltd.	*	3,351,760	2,960,717	2,960,662
Bettina Properties LLC	*	2,377,875	2,339,174	1,529,069
SWWC Utilities Inc.	*	2,163,208	2,161,576	2,138,955
Tack Development Ltd.	*	1,316,608	1,308,490	1,270,314
PH SLII LP	*	-	1,294,968	1,864,824
Western Rim Investors 2008-4 LP	*	-	-	36,294,205
AMFP II Fairways Star Ranch LLC	*	-	-	34,828,231
Meritage Homes of Texas LLC	*	-	-	1,821,833
Total		\$ 141,418,626	\$ 112,787,709	\$ 104,970,903
Percent of Assessed Valuation		35.9%	34.6%	38.6%

* Not provided. Total represents total assessed value for taxpayer.

**WILLIAMSON COUNTY WATER, SEWER,
IRRIGATION AND DRAINAGE DISTRICT NO. 3
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2015**

Type of Property	Tax Roll Year					
	2015		2014		2013	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 243,041,760	61.8%	\$ 198,238,252	60.7%	\$ 151,971,239	55.8%
Multi Family	113,008,998	28.7%	94,655,962	29.0%	88,085,415	32.4%
Vacant Land	8,837,577	2.3%	7,857,367	2.4%	5,863,483	2.2%
Acreage	9,434,410	2.4%	10,092,165	3.1%	10,968,085	4.0%
Rural Land	-	-	-	-	110,000	-
Commercial Real Property	28,073,736	7.1%	17,773,221	5.4%	15,319,707	5.6%
Utilities	2,155,518	0.6%	127,618	-	124,221	0.1%
Tangible Personal Property	864,788	0.2%	2,727,802	0.9%	1,880,411	0.7%
Real Inventory	5,047,746	1.3%	12,320,215	3.8%	12,930,626	4.7%
Exempt	819,695	0.2%	226,855	0.1%	128,763	0.0%
Less: Adjustments	(17,907,301)	-4.6%	(17,700,307)	-5.4%	(15,109,294)	-5.5%
Total Taxable Value	<u>\$ 393,376,927</u>	<u>100%</u>	<u>\$ 326,319,150</u>	<u>100%</u>	<u>\$ 272,272,656</u>	<u>100%</u>

APPENDIX B
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.]*

**WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE
DISTRICT NO. 3 UNLIMITED TAX REFUNDING BONDS, SERIES 2016
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$6,375,000**

AS BOND COUNSEL FOR THE WILLIAMSON COUNTY WATER, SEWER, IRRIGATION AND DRAINAGE DISTRICT NO. 3 (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on March 9, 2016, authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized in the order (collectively, the "Order").

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

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

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from

contracts with other persons, including private corporations, municipalities, and political subdivisions.

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

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, is 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.

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

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

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

Respectfully,

APPENDIX C
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

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