

OFFICIAL STATEMENT DATED AUGUST 6, 2019

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: BAM Insured: S&P “AA” (Stable Outlook); Underlying Moody’s “A3”
See “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE.”

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

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

\$7,115,000

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

Dated Date: September 3, 2019

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

The 7,115,000 Northeast Travis County Utility District Unlimited Tax Refunding Bonds, Series 2019 (the “Bonds”) constitute obligations solely of Northeast Travis County Utility District (the “District”) and are not obligations of the State of Texas (the “State”); the City of Pflugerville, Texas; Travis County, Texas; or any entity other than the District. Interest on the Bonds maturing on September 1 in each of the years 2020 through 2022, and 2025 through 2038 (the “Current Interest Bonds”) will accrue from the from the date of delivery, currently anticipated to be September 3, 2019, and will be payable March 1 and September 1 of each year, commencing March 1, 2020. Interest on the Bonds maturing on September 1 in each of the years 2023 and 2024 (the “Capital Appreciation Bonds”) will accrete from the date of delivery, currently anticipated to be September 3, 2019, will be compounded March 1 and September 1 of each year, commencing March 1, 2020, and will be payable only upon maturity. Interest will be calculated on the basis of a 360-day year comprise of twelve 30 month days. See “APPENDIX B – Schedule of Accreted Values.” The Current Interest Bonds and the Capital Appreciation Bonds are collectively referred to herein as the “Bonds.” The definitive Bonds will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York (“DTC”), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Current Interest Bonds and maturity value of the Capital Appreciation Bonds will be payable by the paying agent/registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent”). The Bonds will be issued only in fully registered form. The Current Interest Bonds will be issued in the denomination of \$5,000 of principal amount or integral multiples thereof, and the Capital Appreciation Bonds will be issued in amounts which mature in \$5,000 denominations, or integral multiples thereof, including both principal and interest. See “APPENDIX B - Schedule of Accreted Values.”

The Bonds are being issued to currently refund a portion of the District’s outstanding Unlimited Tax Refunding Bonds, Series 2012 (the “Series 2012 Bonds”), Unlimited Tax Bonds, Series 2012A (the “Series 2012A Bonds”), Unlimited Tax Refunding Bonds, Series 2012B (the “Series 2012B Bonds”), and Unlimited Tax Bonds, Series 2014 (the “Series 2014 Bonds” and, collectively, the “Refunded Bonds”) to achieve a debt service savings, and to pay the costs of issuing the Bonds. See “PLAN OF FINANCING.” The Current Interest Bonds maturing on and after September 1, 2028, are subject to redemption prior to maturity at the option of the District in whole or from time to time in part on September 1, 2027 or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity.

The scheduled payment of principal of 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 “MUNICIPAL BOND RATINGS” and “MUNICIPAL BOND INSURANCE.”



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

Hutchinson, Shockey, Erley & Co.

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

Investment in the Bonds is subject to certain investment considerations. See "INVESTMENT CONSIDERATIONS" herein.

The Bonds are offered when, as and if issued by the District, and accepted by the initial purchaser thereof named below (the "Underwriter") subject to the approval of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Hunton Andrews Kurth LLP, Houston, Texas. The Bonds in definitive form are expected to be available for delivery through DTC, on September 3, 2019.

MATURITIES
\$6,835,000
Current Interest Bonds
(Due September 1)

CUSIP Prefix: 664387

Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount	Interest Rate	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2020	\$ 15,000	3.000%	1.470%	NU7	2030 ^(a)	\$ 550,000	3.000%	2.370%	PC5
2021	15,000	3.000%	1.530%	NV5	2031 ^(a)	585,000	3.000%	2.440%	PD3
2022	20,000	3.000%	1.590%	NW3	2032 ^(a)	585,000	3.000%	2.560%	PE1
***	***	***	***	***	2033 ^(a)	300,000	3.000%	2.650%	PF8
2025	485,000	3.000%	1.750%	NX1	2034 ^(a)	335,000	3.000%	2.700%	PG6
2026	490,000	3.000%	1.870%	NY9	2035 ^(a)	435,000	3.000%	2.790%	PH4
2027	510,000	3.000%	1.980%	NZ6	2036 ^(a)	580,000	3.000%	2.850%	PJ0
2028 ^(a)	520,000	3.000%	2.130%	PA9	2037 ^(a)	640,000	3.000%	2.890%	PK7
2029 ^(a)	555,000	3.000%	2.260%	PB7	2038 ^(a)	215,000	3.000%	2.930%	PL5

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Current Interest Bonds maturing on and after September 1, 2028, in whole or from time to time in part, on September 1, 2027, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS - Redemption."
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first allowable redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Underwriter (as herein defined). The yields may be changed at any time at the discretion of the Underwriter.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligences on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

\$280,000
Capital Appreciation Bonds
(Due September 1)

CUSIP Prefix: 664387

Due	Initial Offering Price	Original Principal Amount	Purchase Price Per \$5,000 at Maturity	Initial Reoffering Yield ^(a)	Total Payment at Maturity ^(b)	CUSIP Suffix ^(c)
2023	92.981%	\$ 155,000	\$ 4,649.05	1.830%	\$ 475,000	NS2
2024	90.852%	\$ 125,000	\$ 4,542.60	1.930%	\$ 470,000	NT0

(Footnotes appear on the following page)

- (a) The initial reoffering yields on the Bonds are established by, and are the sole responsibility of, the Underwriter, and may subsequently be changed. Initial reoffering yields represent the initial offering price to the public of a substantial amount of the Bonds of each maturity which may be changed for subsequent purchasers.
- (b) The Capital Appreciation Bonds are not subject to redemption prior to their stated maturity. See “THE BONDS – Redemption Provisions.” Interest is compounded semiannually on each March 1 and September 1, commencing March 1, 2020 and payable only at stated maturity.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligences on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Underwriter, the District, or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

TABLE OF CONTENTS

MATURITIES	2	Location	30
USE OF INFORMATION IN OFFICIAL STATEMENT	5	Historical and Current Status of Development	30
SALE AND DISTRIBUTION OF THE BONDS	5	Comprehensive Development Agreement	31
Underwriting	5	Future Development	32
Prices and Marketability	5	THE SYSTEM	32
Securities Laws	5	Regulation	32
MUNICIPAL BOND RATINGS	6	Water Supply and Distribution	32
MUNICIPAL BOND INSURANCE	6	Wastewater Collection and Treatment	32
Bond Insurance Policy	6	100-Year Flood Plain and Storm Drainage Information	32
Build America Mutual Assurance Company	6	Water and Wastewater Operations – Table 1	33
OFFICIAL STATEMENT SUMMARY	8	Operating Revenues and Expenses Statement – Table 2	33
THE DISTRICT	8	DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3	34
THE BONDS	8	FINANCIAL STATEMENT	35
INVESTMENT CONSIDERATIONS	10	Assessed Value - Table 4	35
SELECTED FINANCIAL INFORMATION	11	Unlimited Tax Bonds Authorized but Unissued - Table 5	35
INTRODUCTION	12	Outstanding Bonds - Table 6	36
PLAN OF FINANCING	12	Cash and Investment Balances - Table 7	36
Purpose	12	Investment Authority and Investment Practices of the District	36
The Refunded Bonds	13	Current Investments - Table 8	38
The Remaining Outstanding Bonds	13	Estimated Overlapping Debt Statement	38
The Escrow Agreement	14	Overlapping Taxes for 2018	39
Estimated Sources and Uses of Funds	14	TAX DATA	39
THE BONDS	14	Classification of Assessed Valuation - Table 9	39
General Description	14	Tax Collections - Table 10	39
Yield on Capital Appreciation Bonds	14	District Tax Rates - Table 11	40
Redemption	15	Tax Rate Limitation	40
Selection of Bonds for Redemption	15	Maintenance Tax	40
DTC Redemption Provision	15	Principal Taxpayers - Table 12	40
Termination of Book-Entry-Only System	15	Tax Adequacy for Debt Service	41
Replacement Bonds	16	Debt Service Fund Management Index	41
Authority for Issuance	16	TAXING PROCEDURES	41
Source of and Security for Payment	16	Authority to Levy Taxes	41
Payment Record	17	Property Tax Code and County Wide Appraisal District	41
Flow of Funds	17	Property Subject to Taxation by the District	42
Defeasance of Outstanding Bonds	17	Valuation of Property for Taxation	42
Paying Agent/Registrar	18	District and Taxpayer Remedies	43
Record Date	18	Levy and Collection of Taxes	43
Issuance of Additional Debt	18	Tax Payment Installments	43
Legal Investment and Eligibility to Secure Public Funds in Texas	18	Rollback of Operation and Maintenance Tax Rate	43
Specific Tax Covenants	19	District's Rights In The Event Of Tax Delinquencies	44
Additional Covenants	19	Effect of FIRREA on Tax Collections	45
Remedies in Event of Default	19	LEGAL MATTERS	45
Consolidation	19	No-Litigation Certificate	45
Annexation	19	VERIFICATION OF ESCROW SUFFICIENCY AND YIELDS	45
Amendments to the Bond Resolution	20	TAX MATTERS	46
Alteration of Boundaries	20	Opinion	46
Approval of the Bonds	20	Federal Income Tax Accounting Treatment of Original Issue	
BOOK-ENTRY-ONLY SYSTEM	20	Discount	46
INVESTMENT CONSIDERATIONS	22	Collateral Federal Income Tax Consequences	47
General	22	State, Local and Foreign Taxes	47
Factors Affecting Taxable Values and Tax Payments	22	Information Reporting and Backup Withholding	47
Tax Collections and Foreclosure Remedies	22	Qualified Tax-Exempt Obligations for Financial Institutions	47
Registered Owners' Remedies	22	CONTINUING DISCLOSURE OF INFORMATION	48
Bond Insurance Risks	23	Annual Reports	48
Bankruptcy Limitation to Registered Owners' Rights	23	Notice of Certain Events	48
The Effect of the Financial Institutions Act of 1989 on Tax		Availability of Information from MSRB	48
Collections of the District	24	Limitations and Amendments	49
Marketability	24	Compliance with Prior Undertakings	49
Continuing Compliance with Certain Covenants	24	FINANCIAL ADVISOR	49
Future Debt	24	OFFICIAL STATEMENT	49
Future and Proposed Legislation	24	Preparation	49
Legislation Affecting Ad Valorem Taxation	25	Consultants	49
Environmental Regulations	25	Official Statement "Deemed Final"	50
Drought Conditions	27	Annual Audits	50
No Requirement to Build on Developed Lots	27	PHOTOGRAPHS	
Forward-Looking Statements	27	APPENDIX A – Audited Financial Statements	
LOCATION MAP	28	APPENDIX B – Schedule of Accreted Values	
THE DISTRICT	29	APPENDIX C – Form of Bond Counsel Opinion	
General	29	APPENDIX D – Specimen Municipal Bond Insurance Policy	
Management of the District	29		

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriter listed on the cover page of this Official Statement has agreed, subject to certain conditions, to purchase the Bonds from the District for \$7,908,712.50 (an amount equal to the principal amount of the Bonds, plus an original issue premium of \$862,585.70, less an Underwriter's discount of \$68,873.20).

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

Prices and Marketability

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

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

Securities Laws

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

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

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

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

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investor 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 judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM. The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com. BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to

and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$513.9 million, \$105 million and \$408.9 million, respectively.

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

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, 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 "MUNICIPAL BOND INSURANCE".

Additional Information Available from BAM

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

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

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

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

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OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

- The District..... Northeast Travis County Utility District (the “District”), a political subdivision of the State of Texas, was created by special act of the Texas Legislature, Chapter 966 Sections 3.1601 to 3.1614, of the 77th Regular Session of the Texas Legislature (the “Act”) effective September 1, 2001 and confirmed pursuant to an election held within the District on November 5, 2002. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to the Act and Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT – General.”
- Location The District, which currently encompasses approximately 372.73 acres of land, is located entirely within the extraterritorial jurisdiction of the City of Pflugerville, Texas (the “City” or “Pflugerville”), except for approximately 20.83 acres which lies within the city limits of the City. The entire District is within Travis County, Texas. The District is located approximately three miles northeast of downtown Pflugerville and is situated approximately one mile east of FM 685 and State Highway 130, and is bounded on the north by Kelly Lane and on the east by Weiss Lane. See “THE DISTRICT - Location.”
- Status of Development Of the approximately 372.73 acres that encompasses the District, approximately 349 acres are developable. Development of the District commenced in 2003, and land in the District has been developed as the single family residential subdivision of Villages of Hidden Lake. As of July 1, 2019, approximately 343 acres (or 98.46% of the approximately 349 developable acres within the District) has been developed with utility facilities as the single family residential subdivisions of the Villages of Hidden Lake, Phases 1, 2A, 2B, 3A, 3B, 4A, 4B, 4C, 5A, 5B, 6A-1, 6A-2, 6B-1, 6B-2 and 6B-3, consisting of 1,284 single family lots, which includes 1,269 completed homes, 10 homes under construction and 5 vacant developed single family lots. Additionally, there are approximately 5.37 acres of commercial tracts within the District that have not been developed with utility facilities. The District includes an amenity center encompassing approximately 2.14 acres, which includes a Junior Olympic pool, a pool house, a sport court and a playscape along with a portion of a hike and bike trail connecting the development with the adjacent Pflugerville Park and Recreational Lake. See “THE DISTRICT – Historical and Current Status of Development.”
- Homebuilders..... The homebuilder currently active within the District is William Lyon Homes. The homebuilder has represented that the sales prices of homes being constructed generally range from approximately \$267,990 to \$375,990, with square footage ranging from approximately 1,699 to 3,653. See “THE DISTRICT – Historical and Current Status of Development.”

THE BONDS

- Description..... The Current Interest Bonds are serial bonds in the aggregate principal amount of \$6,835,000 maturing annually in varying amounts on September 1 of each of the years 2020 through 2022 and 2025 through 2038. Interest accrues on the Current Interest Bonds from the date of delivery, currently anticipated to be September 3, 2019, at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2020 and each September 1 and March 1 thereafter until maturity. The Capital Appreciation Bonds will be issued in the original principal amount of \$280,000 and will mature together with interest accreted from initial delivery on September 1 in the years 2023 and 2024. Interest on the Capital Appreciation Bonds accretes from the date of delivery at the rate per annum set forth on the inside cover page hereof and compounds each March 1 and September 1 commencing March 1, 2020 until maturity. The Current Interest Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity, and the Capital Appreciation Bonds are offered in fully registered form in denominations which result in total amounts due at maturity in integral multiples of \$5,000. See "THE BONDS - General Description.”

Redemption	The Current Interest Bonds maturing on and after September 1, 2028 are subject to redemption prior to maturity at the option of the District in whole or from time to time in part on September 1, 2027, or on any date thereafter, at par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." The Bonds are obligations solely of the District and are not obligations of the City of Pflugerville, Texas; Travis County, Texas; the State of Texas; or any entity other than the District. 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 issued pursuant to Article XVI, Section 59 of the Texas Constitution, the Act, and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended; a bond election held within the District on November 5, 2002, approving the issuance of bonds; and a resolution adopted by the Board of Directors of the District and a pricing certificate executed by the pricing officer as designated in the resolution (the resolution and the pricing certificate are collectively referred to herein as the "Bond Resolution."). 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 Series 2012 Bonds, Series 2012A Bonds, Series 2012B Bonds, and Series 2014 Bonds to achieve a debt service savings (as defined herein); and (ii) pay the costs of issuing the Bonds. See "PLAN OF FINANCING."
Bonds Authorized But Unissued.....	At an election held within the District on November 5, 2002 voters within the District authorized a total of \$50,000,000 in bonds for water, wastewater and drainage facilities, of which \$22,385,000 remains authorized but unissued. See "FINANCIAL STATEMENT - Outstanding Bonds"; "Unlimited Tax Bonds Authorized but Unissued"; and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Municipal Bond Insurance	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") is expected to assign a rating of "AA" (stable outlook) to the Bonds, as a result of a municipal bond insurance policy issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's Investors Service, Inc. ("Moody's") has assigned an underlying rating of "A3" to the Bond.
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal tax purposes under existing law, subject to matters described in "TAX MATTERS" herein.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2019 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

Bond Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas.
General Counsel Law Offices of Ronald J. Freeman, Pflugerville, Texas.
Financial Advisor Public Finance Group LLC, West Lake Hills, Texas.
Underwriter’s Counsel Hunton Andrews Kurth LLP, Houston, Texas.
Verification Agent Public Finance Partners, LLC, Minneapolis, Minnesota.
Paying Agent/Registrar
and Escrow Agent UMB Bank, N.A., Austin, Texas

INVESTMENT CONSIDERATIONS

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

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2018 Certified Assessed Valuation		\$303,139,898 ^(a)
2019 Preliminary Assessed Valuation		\$329,566,256 ^(b)
Gross Debt Outstanding		\$ 21,400,000 ^(c)
Ratio of Gross Debt to 2018 Certified Assessed Valuation		7.06%
Ratio of Gross Debt to 2019 Preliminary Assessed Valuation		6.49%
2018 Tax Rate		
	Debt Service	\$ 0.5065
	Maintenance	<u>0.0935</u>
	Total 2018 Tax Rate	<u>\$ 0.6000</u> ^(d)
Debt Service Fund Balance (as of July 1, 2019)		\$ 1,697,191 ^(e)
Percentage of current tax collections (Tax Years 2009-2018)		99.30% ^(f)
Percentage of total tax collections (Tax Years 2009-2018)		99.84% ^(f)
Average Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Average Requirement") (2019-2040, inclusive)		\$ 1,385,659
Tax Rate required to pay Average Requirement based upon 2018 Certified Assessed Valuation at 95% collections		\$ 0.49 /\$100 AV
Tax Rate required to pay Average Requirement based upon 2019 Preliminary Assessed Valuation at 95% collections		\$ 0.45 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Maximum Requirement") (2029)		\$ 1,618,294
Tax Rate required to pay Maximum Requirement based upon 2018 Certified Assessed Valuation at 95% collections		\$ 0.57 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon 2019 Preliminary Assessed Valuation at 95% collections		\$ 0.52 /\$100 AV
Number of active connections as of July 1, 2019		
Single Family - Complete and Occupied		1,269
Single Family - Builder		<u>10</u>
	Total Number of Active Connections	1,279
Estimated Population as of July 1, 2019		4,442 ^(g)

- (a) Certified assessed valuation of the District as of January 1, 2018 as certified by the Travis County Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2019, as provided by TCAD. No taxes will be levied on this assessed valuation unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied a 2018 total tax rate of \$0.60 at the District's Board meeting in August 2018. See "TAXING PROCEDURES."
- (e) Unaudited as of July 1, 2019. Neither Texas law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections."
- (g) Based upon 3.5 residents per occupied single family home.

OFFICIAL STATEMENT
relating to
\$7,115,000
NORTHEAST TRAVIS COUNTY UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

UNLIMITED TAX REFUNDING BONDS, SERIES 2019

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Northeast Travis County Utility District (the "District") of its \$7,115,000 Unlimited Tax Refunding Bonds, Series 2019 (the "Bonds").

The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District on July 1, 2019 and a pricing certificate executed by the pricing officer authorized by the resolution (the resolution and pricing certificate are collectively referred to herein as the "Bond Resolution"), the Constitution and general laws of the State of Texas (the "State") including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207, Texas Government Code, as amended.

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. Copies of such documents may be obtained from the District c/o the Law Offices of Ronald J. Freeman, 102 N. Railroad Avenue, Pflugerville, TX 78660, upon payment of duplication and delivery charges or from the District's Financial Advisor, Public Finance Group LLC, 900 South Capital of Texas Highway, Building IV, Suite 475, West Lake Hills, Texas, 78746, upon payment of reasonable copying, mailing and handling charges.

PLAN OF FINANCING

Purpose

At an election held within the District on November 5, 2002, the District's voters authorized the issuance of an aggregate principal amount of \$50,000,000 of unlimited tax bonds for the construction of the District's water, wastewater and drainage facilities, of which \$22,385,000 in bonds remains authorized but unissued. The District reserves the right to issue the remaining \$22,385,000 authorized but unissued bonds.

The Bonds are being issued to achieve a debt service savings in the years 2020 through 2038, inclusive, by refunding \$7,115,000 of the District's outstanding Series 2012 Bonds, Series 2012A Bonds, Series 2012B Bonds, and Series 2014 Bonds (as defined herein), and to pay the costs of issuing the 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 2012	Series 2012A	Series 2012B	Series 2014	Total
2022	\$ -	\$ 5,000	\$ -	\$ -	\$ 5,000
2023	50,000	5,000	405,000	-	460,000
2024	50,000	5,000	410,000	5,000	470,000
2025	50,000	5,000	440,000	5,000	500,000
2026	55,000	5,000	445,000	5,000	510,000
2027	5,000	5,000	245,000	5,000	260,000
2028	5,000	5,000	250,000	5,000	265,000
2029	10,000	5,000	275,000	5,000	295,000
2030	270,000	5,000	270,000	5,000	550,000
2031	280,000	5,000	295,000	5,000	585,000
2032	290,000	5,000	290,000	5,000	590,000
2033	300,000	5,000	-	5,000	310,000
2034	-	250,000	-	100,000	350,000
2035	-	300,000	-	150,000	450,000
2036	-	400,000	-	200,000	600,000
2037	-	445,000	-	225,000	670,000
2038	-	-	-	250,000	250,000
	<u>\$ 1,365,000</u>	<u>\$ 1,455,000</u>	<u>\$ 3,325,000</u>	<u>\$ 975,000</u>	<u>\$ 7,120,000</u>
Redemption Date:	10/7/2019	10/7/2019	10/7/2019	10/7/2019	

The Remaining Outstanding Bonds

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

Year	Series 2012	Series 2012A	Series 2012B	Series 2014	Series 2014A	Series 2016	Series 2017	The Bonds	Total
2019	\$ 45,000	\$ 5,000	\$ 345,000	\$ 5,000	\$ 5,000	\$ 445,000	\$ 5,000	\$ -	\$ 855,000
2020	45,000	5,000	365,000	5,000	5,000	475,000	5,000	15,000	920,000
2021	45,000	5,000	370,000	5,000	5,000	475,000	5,000	15,000	925,000
2022	45,000	-	375,000	5,000	5,000	505,000	5,000	20,000	960,000
2023	-	-	-	5,000	5,000	500,000	5,000	155,000	670,000
2024	-	-	-	-	5,000	535,000	5,000	125,000	670,000
2025	-	-	-	-	5,000	535,000	5,000	485,000	1,030,000
2026	-	-	-	-	5,000	560,000	5,000	490,000	1,060,000
2027	-	-	-	-	5,000	580,000	5,000	510,000	1,100,000
2028	-	-	-	-	5,000	635,000	5,000	520,000	1,165,000
2029	-	-	-	-	5,000	645,000	5,000	555,000	1,210,000
2030	-	-	-	-	5,000	680,000	5,000	550,000	1,240,000
2031	-	-	-	-	5,000	380,000	325,000	585,000	1,295,000
2032	-	-	-	-	5,000	95,000	150,000	585,000	835,000
2033	-	-	-	-	5,000	95,000	425,000	300,000	825,000
2034	-	-	-	-	5,000	115,000	375,000	335,000	830,000
2035	-	-	-	-	5,000	140,000	300,000	435,000	880,000
2036	-	-	-	-	230,000	-	125,000	580,000	935,000
2037	-	-	-	-	245,000	-	100,000	640,000	985,000
2038	-	-	-	-	255,000	-	525,000	215,000	995,000
2039	-	-	-	-	265,000	-	725,000	-	990,000
2040	-	-	-	-	-	-	1,025,000	-	1,025,000
	<u>\$ 180,000</u>	<u>\$ 15,000</u>	<u>\$ 1,455,000</u>	<u>\$ 25,000</u>	<u>\$ 1,080,000</u>	<u>\$ 7,395,000</u>	<u>\$ 4,135,000</u>	<u>\$ 7,115,000</u>	<u>\$ 21,400,000</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 cash to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the District and UMB Bank, N.A., Austin, Texas (the "Escrow Agent"). The Bond Resolution provides that from the proceeds of the sale of the Bonds received from the Underwriter the District will deposit with the Escrow Agent cash in an amount 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 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 Resolution authorizing the issuance of such Refunded Bonds and in accordance with State law and in reliance upon the Verification Report described below. As a result of such defeasance and in reliance upon the Verification Report of Public Finance Partners LLC, 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.

Estimated 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	\$7,115,000.00
Original Issue Premium	<u>862,585.70</u>
Total Sources of Funds	\$7,977,585.70
Uses of Funds:	
Escrow Deposit	\$7,684,711.03
Costs of Issuance (includes municipal bond insurance premium)	221,833.84
Underwriters' Discount	68,873.20
Deposit to Debt Service Fund (Rounding Amount)	<u>2,167.63</u>
Total Uses of Funds	\$7,977,585.70

THE BONDS

General Description

The Current Interest Bonds will bear interest from the date of delivery, currently anticipated to be September 3, 2019, and will mature on September 1 in the years and in the principal amounts, and will bear interest at the rates per annum, as set forth on the inside cover page hereof. Interest on the Current Interest Bonds accrue from the Dated Date and will be paid on March 1, 2020 and each September 1 and March 1 (each, an "Interest Payment Date") thereafter until maturity or prior redemption. Interest on the Capital Appreciation Bonds will accrete from the date of delivery, will be compounded each March 1 and September 1 of each year, commencing March 1, 2020 and will be payable only upon maturity. See "Appendix B – Schedule of Accreted Values." The Capital Appreciation Bonds will be issued in the original principal amount of \$280,000 and will mature together with interest accreting from initial delivery on September 1 in the years 2023 and 2024.

The Bonds will be initially registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry-only form. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the "Paying Agent").

Yield on Capital Appreciation Bonds

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

Redemption

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

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

The Current Interest 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 Current Interest Bonds so surrendered. In the event of redemption of less than all of the Current Interest Bonds, the particular maturities of the Current Interest Bonds, or sinking fund installments in the case of Term Bonds, to be redeemed shall be selected by the District, if less than all of the Current Interest Bonds of a particular maturity or sinking fund installments in the case of the Term Bonds are to be redeemed; the Paying Agent is required to select the Current Interest Bonds of such maturity to be redeemed by lot or other customary random method in accordance with DTC Procedures.

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

Selection of Bonds for Redemption

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

DTC Redemption Provision

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

Termination of Book-Entry-Only System

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

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized

by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

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

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (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 Resolution relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

The Bonds are issued pursuant to the terms and provisions of the Bond Resolution; the Act; Chapter 1207, Texas Government Code, as amended; Chapters 49 and 54 of the Texas Water Code, as amended; and Article XVI, Section 59 of the Texas Constitution.

Source of and Security for Payment

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

The District is located entirely within the extraterritorial jurisdiction of the City. Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents. Under House Bill 347 approved during the 86th Regular Legislative Session ("HB 347"), (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of July 1, 2019, the District had an estimated population of 4,442, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

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

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

Payment Record

The District has previously issued thirteen series of bonds including: Unlimited Tax Bonds, Series 2005; Unlimited Tax Bonds, Series 2006; Unlimited Tax Bonds, Series 2007; Unlimited Tax Bonds, Series 2008; Unlimited Tax Bonds, Series 2010; Unlimited Tax Refunding Bonds, Series 2011; Unlimited Tax Refunding Bonds, Series 2012; Unlimited Tax Bonds, Series 2012A; Unlimited Tax Refunding Bonds, Series 2012B; Unlimited Tax Bonds, Series 2014; Unlimited Tax Bonds, Series 2014A, Unlimited Tax Refunding Bonds, Series 2016, and Unlimited Tax Bonds, Series 2017 (collectively, the "Previously Issued Bonds"). The District has not defaulted on the payment of principal or of interest on such Previously Issued Bonds. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."

Flow of Funds

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

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

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

Defeasance of Outstanding Bonds

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

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

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

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

Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent; and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

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

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

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

Record Date

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

Issuance of Additional Debt

The District reserves the right to issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District's voters. On November 5, 2002, voters within the District authorized the issuance of unlimited tax bonds in the aggregate principal amount of \$50,000,000 for the purpose of constructing facilities to meet the needs of the residents and customers of the District, of which \$22,385,000 remains authorized but unissued. See "FINANCIAL STATEMENT – Authorized But Unissued Bonds."

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

Specific Tax Covenants

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

Additional Covenants

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

Remedies in Event of Default

The Bond Resolution 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 Resolution, 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 Resolution and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the 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 Resolution 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 Resolution 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 Resolution, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by the city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. 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 Resolution covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Consolidation

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

Annexation

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

The District is located entirely within the extraterritorial jurisdiction of the City. Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without the consent of the district or its residents; however, under HB 347, the City may not annex the District unless: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. See "THE BONDS – Source and Security for Payment."

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

Amendments to the Bond Resolution

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

Alteration of Boundaries

In certain circumstances under State law, the District may alter its boundaries to, upon satisfying certain conditions to deannex and then annex additional territory. No representation is made concerning the likelihood that the District would effect any further 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.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income

Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

INVESTMENT CONSIDERATIONS

General

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

Factors Affecting Taxable Values and Tax Payments

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

Interest rates and the availability of credit, including mortgage funding, have a direct impact on the construction activity, particularly short-term interest rates at which the homebuilder is able to obtain financing for 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.

Maximum 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 2018 Certified Assessed Valuation of the District is \$303,139,898. After issuance of the Bonds, the Maximum Requirement will be \$1,618,294 (2029) and the Average Requirement will be \$1,385,659 (2019 through 2040, inclusive). Assuming (1) no increase or decrease from the 2018 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 \$0.57 and \$0.49 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, based upon the 2018 Certified Assessed Valuation. The District's 2019 Preliminary Assessed Valuation is \$329,566,256. Based upon the assumptions above, tax rates of \$0.52 and \$0.45 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively, based upon such preliminary valuation. 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 Resolution does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Bond Insurance Risks

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 Bond Insurer (the "Bond 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 "MUNICIPAL BOND INSURANCE" herein.

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

Neither the District nor the Underwriter has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment. See "MUNICIPAL BOND 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 Underwriter regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price for the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are more generally bought, sold or traded in the secondary market.

Continuing Compliance with Certain Covenants

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

Future Debt

The District has reserved in the Bond Resolution the right to issue the remaining \$22,385,000 authorized but unissued unlimited tax bonds and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$22,385,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. In the opinion of the District's engineer, the remaining authorization should be sufficient to complete the development in the District. See "THE SYSTEM".

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.

Legislation Affecting Ad Valorem Taxation

The 86th Regular Legislative Session convened on January 8, 2019 and concluded on May 27, 2019. The Governor may call one or more additional special sessions, which may last no more than 30 days, and for which the Governor sets the agenda.

During the 86th Regular Legislative Session, the Texas Legislature passed Senate Bill 2 ("SB 2"), a law that materially changes ad valorem tax matters, including automatic rollback elections for maintenance tax increases for certain districts, and other matters which may have an adverse impact on the District's operations and, therefore, the marketability or market value of the Bonds. See "TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate."

At this time, the District cannot predict the Governor will call a special session to address other property tax reforms not included in SB 2.

Environmental Regulations

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

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

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

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

In 1997, the EPA adopted the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the "2008 Ozone Standard"). The Austin area, consisting of Williamson, Hays, Travis, Bastrop and Caldwell Counties (the "Austin Area") was not designated "nonattainment" under the 2008 Ozone Standard.

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

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

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

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

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

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

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

In 2015, the EPA and the United States Army Corps of Engineers (“USACE”) promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expands the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR could have an adverse impact on municipal utility districts, including the District, particularly with respect to jurisdictional wetland determinations, and could increase the size and scope of activities requiring USACE permits. The CWR has been challenged in various jurisdictions, including the Southern District of Texas, and the litigation challenging the CWR is still pending.

On February 28, 2017, the President signed an executive order ordering the EPA and USACE to modify or rescind the CWR. In response, the EPA and the USACE subsequently released a proposed rule rescinding the CWR, reinstating the regulatory text that existed prior to the adoption of the CWR and proposing the development of a revised definition of “waters of the United States.” In June 2018, the EPA and USACE issued a supplemental notice of proposed rulemaking to the 2017 proposed action to repeal the 2015 definition of “waters of the United States” to clarify that the agencies are proposing to permanently repeal the CWR in its entirety and reinstate language in place before the adoption of the CWR while developing a revised definition of “waters of the United States.” Meanwhile, in January 2018, the EPA and the USACE finalized a rule extending the effective date of the CWR until 2020 while the agencies finalize actions to repeal and replace the CWR. This rule delaying the effective date of the CWR was challenged in court and, on August 16, 2018, the U.S. District Court for the District of South Carolina issued a nation-wide injunction rendering the rule extending the effective date of the CWR void, thereby reinstating the CWR in 26 states, including Texas. However, on September 12, 2018, the U.S. District Court for the Southern District of Texas temporarily enjoined the implementation of the CWR in Texas, Louisiana and Mississippi until the case filed by the States of Texas, Louisiana and Mississippi in 2015 is finally resolved.

On December 11, 2018, the EPA and USACE released the proposed replacement definition of “waters of the United States.” The proposed definition outlines six categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The agencies will take comment on the proposal for 60 days after publication in the Federal Register, which occurred on February 14, 2019. If finalized, the proposed rule would apply nationwide, replacing the patchwork framework for Clean Water Act jurisdiction that has resulted from litigation challenging the CWR.

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

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

Drought Conditions

Central Texas, like other areas of the State, is experiencing drought conditions. The City provides water service to residents in 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.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM – 100-Year Flood Plain.”

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

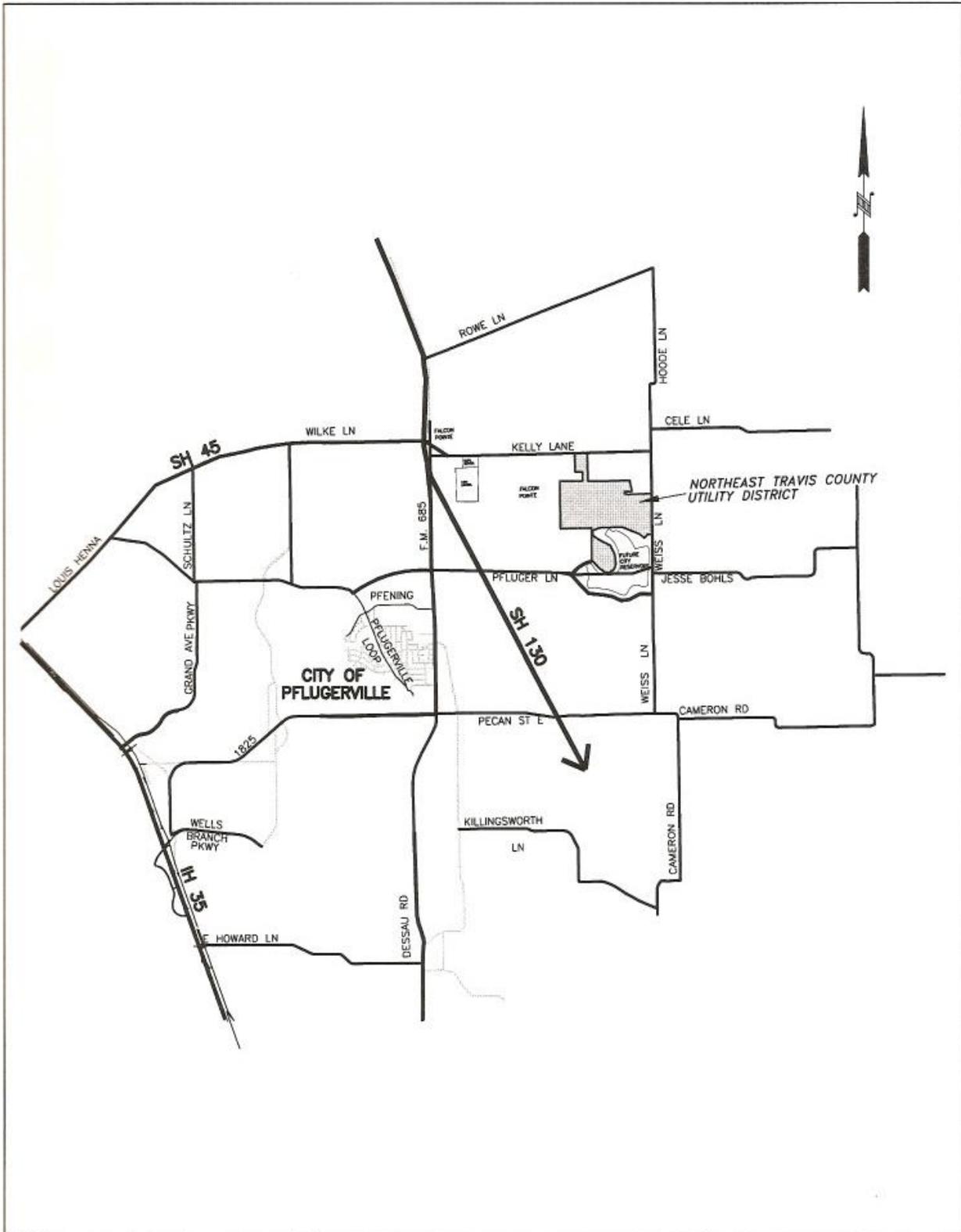
The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future.

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.

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LOCATION MAP



NO.	DATE	REVISIONS	BY

PROJECT:
**NORTHEAST TRAVIS COUNTY UTILITY DISTRICT
 VICINITY MAP**

PATE ENGINEERS

AUSTIN • HOUSTON • DALLAS

7801 NORTH CAPITAL OF TEXAS HIGHWAY
 SUITE 200
 AUSTIN, TEXAS 78731

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THE DISTRICT

General

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

Management of the District

Board of Directors

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

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
John Wilder	President	17 Years	2022
K.C. Willis	Vice-President	17 Years	2022
Rhiannan Oxos	Secretary	7 Years	2020
James Driscoll	Assistant-Secretary	17 Years	2022
Hunter Fendley	Assistant-Secretary	4 ½ Years	2020

Consultants

Tax Assessor/Collector

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

Operator

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

Engineer

The District's consulting engineer is Jones-Heroy & Associates, Inc. (the "Engineer"). Such firm serves as consulting engineer to 31 other special districts.

Bookkeeper

Montoya & Monzingo, LLP, certified public accountants, serves as bookkeeper to the District, as well as to eleven 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 and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District employs Ronald J. Freeman, Pflugerville, Texas, as General Counsel.

Location

The District lies wholly within the extraterritorial jurisdiction of the City, except for approximately 20.83 acres which are within the city limits of the City. The District is entirely within Travis County, Texas. The District is situated approximately three miles northeast of downtown Pflugerville, one mile east of FM 685 and State Highway 130, and is bounded on the north by Kelly Lane and on the east by Weiss Lane. The District currently encompasses approximately 372.73 acres.

Historical and Current Status of Development

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

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

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

Lennar commenced construction of utility facilities to serve Phase 1 of the Villages of Hidden Lake (consisting of approximately 54 acres, platted as 166 single family lots) in April 2003, and such facilities were completed in October 2003.

From 2003 to 2014, LEN-BUF completed the construction of utility facilities to serve Villages of Hidden Lake Phases 2A, 2B, 3A, 3B, 4A, 4B, 4C, 5A, 5B, 6A-1, 6B-1 and 6B-2 (consisting of approximately 263 acres, platted as 1,005 single family lots).

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

In August 2016, Buffington sold and assigned all of their remaining land and interests within the District to RSI Communities LLC, pursuant to a Contract of Sale Agreement, with the exception of the 5.37 acres of commercial tracts to be retained by Buffington, through a cash transaction. RSI Communities LLC then transferred their land and interests to RSI Communities - Texas LLC ("RSI"). RSI completed construction of the utility facilities serving Phase 6A-2 (approximately 11.98 acres; platted as 48 single family lots) and Phase 6B-3 (approximately 13.65 acres; platted as 68 single family lots) in 2017 and has been fully reimbursed for the construction costs related to those two sections. Buffington has informed the District that the preliminary plans for the construction of the utility facilities to serve the 5.37 of commercial tracts are currently under design. Buffington is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation when or if this future development will occur.

As of July 1, 2019 the District contained 1,284 developed single family lots, which includes 1,269 completed homes, 10 homes under construction and 5 vacant lots.

The homebuilder currently active within the District is William Lyon Homes. The homebuilder has represented that the sales prices of homes being constructed generally range from approximately \$267,990 to \$375,990, with square footage ranging from approximately 1,699 to 3,653

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

The chart below reflects the status of single family development as of July 1, 2019:

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
Villages of Hidden Lake, Phase 1	54.47	166	166	-	-
Villages of Hidden Lake, Phase 2A	27.82	99	99	-	-
Villages of Hidden Lake, Phase 2B	24.53	99	99	-	-
Villages of Hidden Lake, Phase 3A	49.04	161	161	-	-
Villages of Hidden Lake, Phase 3B	28.48	122	122	-	-
Villages of Hidden Lake, Phase 4A	20.33	64	64	-	-
Villages of Hidden Lake, Phase 4B	18.66	80	80	-	-
Villages of Hidden Lake, Phase 4C	15.69	69	69	-	-
Villages of Hidden Lake, Phase 5A	24.42	86	86	-	-
Villages of Hidden Lake, Phase 5B	26.31	119	119	-	-
Villages of Hidden Lake, Phase 6A-1	11.06	45	45	-	-
Villages of Hidden Lake, Phase 6A-2	11.98	45	40	3	2
Villages of Hidden Lake, Phase 6B-1	3.01	12	12	-	-
Villages of Hidden Lake, Phase 6B-2	13.79	49	49	-	-
Villages of Hidden Lake, Phase 6B-3	13.65	68	58	7	3
Total Single Family Developed with Utilities	343.24	1,284	1,269	10	5
B. Remaining Developable Acreage					
Commercial - Kelly Lane Tracts	5.37				
Total Remaining Developable Acreage	5.37				
C. Undevelopable Acreage					
Drainage Facilities/Floodplain	3.74				
Recreational Facilities	2.14				
Parkland/Open Space	18.24				
Total Undevelopable Acreage	24.12				
Total District Acreage	372.73				

Comprehensive Development Agreement

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

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Future Development

The remaining undeveloped but developable 5.37 acres is expected to be developed as commercial tracts. 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 the ability to sell lots and/or 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 system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. See "THE BONDS – Issuance of Additional Debt." A developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

THE SYSTEM

Regulation

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

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

Water Supply and Distribution

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

Wastewater Collection and Treatment

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

100-Year Flood Plain and Storm Drainage Information

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

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

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14") which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Travis County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

Water and Wastewater Operations – Table 1

District retail service responsibilities are handled by the City pursuant to the Consent Agreement. The City provides water and wastewater service to utility customers within the District and charges rates equal to the current rates set by the City for retail water and sewer service. Such rates are expected to be changed from time to time by the City. The City is responsible for maintaining and operating the System. The rates and fees charged by the City are published and updated from time to time by the City on its official website. Please refer to the City's official website for current rates and fees. The rates and charges established by the City are not financial and operating data of the District and will not be updated by the District annually as part of the District's continuing disclosure undertaking.

Operating Revenues and Expenses Statement – Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records.

	Fiscal Year End					
	6/30/2019 ^(a)	9/30/2018 ^(b)	9/30/2017 ^(b)	9/30/2016 ^(b)	9/30/2015 ^(b)	9/30/2014 ^(b)
REVENUES						
Property taxes, including penalties	\$ 282,256	\$ 545,126	\$ 550,554	\$ 561,182	\$ 357,378	\$ 268,758
Interest	5,210	4,415	1,394	908	228	210
TOTAL REVENUES	\$ 287,466	\$ 549,541	\$ 551,948	\$ 562,090	\$ 357,606	\$ 268,968
EXPENDITURES						
Repairs and maintenance	\$ 4,960	\$ 12,481	\$ 11,982	\$ 32,636	\$ 11,299	\$ 10,465
Utilities	29,075	42,598	32,913	35,657	35,765	33,102
Legal Fees	4,363	22,685	17,920	14,972	12,149	23,139
Engineering Fees	7,430	9,356	11,973	9,491	6,169	17,475
Bookkeeping Fees	10,911	20,733	15,086	13,533	11,644	13,028
Audit Fees	17,000	17,000	16,500	16,500	16,500	16,500
Director Fees, including payroll tax	1,823	5,329	4,376	4,844	3,552	6,943
Insurance	1,307	2,412	2,256	2,139	2,011	2,115
Tax Appraisal/Collection Fees	6,781	3,101	3,143	4,591	2,353	1,416
Other	5,917	5,125	7,314	5,495	2,720	7,336
TOTAL EXPENDITURES	\$ 89,567	\$ 140,820	\$ 123,463	\$ 139,858	\$ 104,162	\$ 131,519
NET REVENUES (DEFICIT)	\$ 197,899	\$ 408,721	\$ 428,485	\$ 422,232	\$ 253,444	\$ 137,449
Beginning Fund Balance	\$ 1,051,803	\$ 643,082	\$ 1,156,293	\$ 734,061	\$ 480,617	\$ 343,168
Less Developer Reimbursements			(941,696) ^(c)	-	-	-
Plus / (Less): Fund Transfers	-	-	-	-	-	-
Ending Fund Balance	\$ 1,249,702	\$ 1,051,803	\$ 643,082	\$ 1,156,293	\$ 734,061	\$ 480,617

(a) Partial year. Unaudited as of June 30, 2019. Represents nine (9) months of the District's current fiscal year.

(b) Audited.

(c) During Fiscal year 2017, the District reimbursed RSI for a portion of the water, wastewater and drainage facilities serving Villages of Hidden Lake, Phases 5A and 5B, and developer interest associated with those sections, from funds in the General Operating Fund in the amount of \$941,696.

DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3

Northeast Travis County Utility District

\$7,115,000

Unlimited Tax Refunding Bonds, Series 2019

Dated Date: September 3, 2019

First Interest Payment Due: March 1, 2020

Year Ending 31-Dec	Current Debt Service Requirement	Less Refunded Debt Service	The Bonds				Total Debt Service Requirements	
			Principal (Due 9/01)	Interest		Principal and Interest		
				(Due 3/01)	(Due 9/01)	Total		
2019	\$ 1,602,710	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,602,710	
2020	1,625,635	260,783	15,000	101,386	102,525	203,911	1,583,763	
2021	1,608,004	260,783	15,000	102,300	102,300	204,600	1,566,821	
2022	1,620,216	265,783	20,000	102,075	102,075	204,150	1,578,584	
2023	1,626,669	720,583	155,000	101,775	421,775	523,550	1,584,636	
2024	1,635,651	715,220	125,000	101,775	446,775	548,550	1,593,981	
2025	1,633,408	729,514	485,000	101,775	101,775	203,550	1,592,444	
2026	1,629,889	722,820	490,000	94,500	94,500	189,000	1,586,069	
2027	1,629,995	725,751	510,000	87,150	87,150	174,300	1,588,544	
2028	1,657,983	722,364	520,000	79,500	79,500	159,000	1,614,619	
2029	1,658,731	738,838	555,000	71,700	71,700	143,400	1,618,294	
2030	1,648,183	719,489	550,000	63,375	63,375	126,750	1,605,444	
2031	1,655,591	734,498	585,000	55,125	55,125	110,250	1,616,344	
2032	1,150,183	718,289	585,000	46,350	46,350	92,700	1,109,594	
2033	1,113,369	416,838	300,000	37,575	37,575	75,150	1,071,681	
2034	1,094,200	444,406	335,000	33,075	33,075	66,150	1,050,944	
2035	1,114,475	530,719	435,000	28,050	28,050	56,100	1,074,856	
2036	1,141,500	662,906	580,000	21,525	21,525	43,050	1,101,644	
2037	1,164,563	708,656	640,000	12,825	12,825	25,650	1,121,556	
2038	1,140,031	261,563	215,000	3,225	3,225	6,450	1,099,919	
2039	1,061,188	-	-	-	-	-	1,061,188	
2040	1,060,875	-	-	-	-	-	1,060,875	
	<u>\$ 31,273,046</u>	<u>\$ 11,059,799</u>	<u>\$ 7,115,000</u>	<u>\$ 1,245,061</u>	<u>\$1,911,200</u>	<u>\$ 3,156,261</u>	<u>\$10,271,261</u>	<u>\$ 30,484,508</u>

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value - Table 4

2018 Certified Assessed Valuation	\$303,139,898	(a)
2019 Preliminary Assessed Valuation	\$329,566,256	(b)
Gross Debt Outstanding	\$ 21,400,000	(c)
Ratio of Gross Debt to 2018 Certified Assessed Valuation	7.06%	
Ratio of Gross Debt to 2019 Preliminary Assessed Valuation	6.49%	
2018 Tax Rate		
Debt Service	\$ 0.5065	
Maintenance	0.0935	
Total 2018 Tax Rate	\$ 0.6000	(d)
Debt Service Fund Balance (as of July 1, 2019)	\$ 1,697,191	(e)
Estimated Population as of July 1, 2019.....	4,442	(e)
Area of District: 372.73 acres		

- (a) Certified assessed valuation of the District as of January 1, 2016 as certified by the Travis County Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) The preliminary assessed valuation as of January 1, 2019, as provided by TCAD. No taxes will be levied on this assessed valuation unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied a 2018 total tax rate of \$0.60 at the District's Board meeting in August 2018. See "TAXING PROCEDURES."
- (e) Unaudited as of July 1, 2019. Neither Texas Law nor the Bond Resolution requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.5 residents per occupied single family home.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/5/2002	Water, Sanitary Sewer and Drainage	\$ 50,000,000	\$ 27,615,000	\$ 22,385,000
Total		\$ 50,000,000	\$ 27,615,000	\$ 22,385,000

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Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds ^(a)
A. New Money Bonds				
08/01/05	Water, Sanitary Sewer & Drainage	2005	\$ 4,500,000	\$ -
07/01/06	Water, Sanitary Sewer & Drainage	2006	4,500,000	-
06/01/07	Water, Sanitary Sewer & Drainage	2007	4,500,000	-
09/01/08	Water, Sanitary Sewer & Drainage	2008	4,350,000	-
11/01/10	Water, Sanitary Sewer & Drainage	2010	2,000,000	-
10/01/12	Water, Sanitary Sewer & Drainage	2012A	1,500,000	15,000
02/01/14	Water, Sanitary Sewer & Drainage	2014	1,025,000	25,000
10/01/14	Water, Sanitary Sewer & Drainage	2014A	1,100,000	1,080,000
10/31/17	Water, Sanitary Sewer & Drainage	2017	4,140,000	4,135,000
	Subtotal		\$ 27,615,000	\$ 5,255,000
B. Refunding Bonds				
10/01/11	Refunding	2011	\$ 7,660,000	\$ -
03/01/12	Refunding	2012	1,805,000	180,000
12/01/12	Refunding	2012B	5,300,000	1,455,000
11/01/16	Refunding	2016	7,960,000	7,395,000
09/03/19	Refunding	2019	7,115,000 ^(b)	7,115,000 ^(b)
	Subtotal		\$ 29,840,000	\$ 16,145,000
	Total		\$ 57,455,000	\$ 21,400,000

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

(b) The Bonds.

Cash and Investment Balances - Table 7 ^(a)

General Fund	\$ 1,248,567
Debt Service Fund	1,697,191 ^(b)
Capital Projects Fund	479,399

(a) Unaudited as of July 1, 2019.

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

Investment Authority and Investment Practices of the District

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) 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; (9) 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; (10) 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; (11) 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; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA", "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. 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 (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District's name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment

policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments - Table 8

The District, as of July 1, 2019, is invested in TexPool and Money Market Accounts. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of July 1, 2019	
Cash	\$ 28,344
Money Market	2,712,306
TexPool	684,508
Total Investments	\$ 3,425,158

Estimated Overlapping Debt Statement

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

Taxing Body ^(a)	Gross Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	\$ 1,066,091,179	7/31/2019	0.130%	\$ 1,385,919
Travis County Emergency Services District No. 2	-	7/31/2019	0.000%	-
Travis Central Health District	8,350,000	7/31/2019	0.130%	10,855
Pflugerville Independent School District	622,545,000	7/31/2019	2.550%	15,874,898
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 17,271,671
The District ^(b)	\$ 21,400,000	9/3/2019	100.00%	\$ 21,400,000
TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT				\$ 38,671,671
Ratio of Estimated and Overlapping Debt to 2018 Certified Assessed Valuation				12.76%
Ratio of Estimated and Overlapping Debt to 2019 Preliminary Assessed Valuation				11.73%

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

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

Overlapping Taxes for 2018

Overlapping Entity ^(a)	2018 Tax Rate Per	
	\$100 Assessed Valuation Travis County	Average Tax Bill ^(b) Travis County
Travis County	\$0.354200	\$ 930
Travis County Emergency Services District No. 2	0.100000	263
Travis Central Health District	0.105221	276
Pflugerville Independent School District	1.520000	3,993
The District	0.600000	1,576
Total	<u>\$2.679421</u>	<u>\$ 7,039</u>

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

(b) Based upon the 2018 average single-family home value of \$262,701 as provided by TCAD.

TAX DATA

Classification of Assessed Valuation - Table 9^(a)

Type Property	2018 ^(a)		2017 ^(a)		2016 ^(a)	
	Amount	%	Amount	%	Amount	%
Single Family	\$302,482,177	96.93%	\$ 288,573,119	98.54%	\$ 262,479,621	98.00%
Vacant Lot	296,645	0.10%	747,552	0.26%	1,852,331	0.69%
Qualified Ag Land	-	0.00%	-	0.00%	-	0.00%
Acreage (Non-Ag)	207,659	0.07%	654,059	0.22%	626,270	0.23%
Commercial Personal Property	444,807	0.14%	259,677	0.09%	144,692	0.05%
Residential Inventory	7,782,191	2.49%	1,785,305	0.61%	1,924,680	0.72%
Exempt Property	850,473	0.27%	826,027	0.28%	819,565	0.31%
Total	<u>\$312,063,952</u>	<u>100.00%</u>	<u>\$ 292,845,739</u>	<u>100.00%</u>	<u>\$ 267,847,160</u>	<u>100.00%</u>

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

Tax Collections - Table 10

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

Year	Valuation ^(a)	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2009	\$ 153,062,365	\$ 0.8993	\$ 1,376,490	\$ 1,366,381	99.27%	\$ 1,376,490	100.00%	9/30/2010 ^(b)
2010	148,453,753	0.8993	1,334,877	1,312,477	98.32%	1,334,877	100.00%	9/30/2011 ^(b)
2011	154,524,873	0.8993	1,389,660	1,386,869	99.80%	1,389,660	100.00%	9/30/2012 ^(b)
2012	154,444,871	0.8993	1,390,472	1,387,382	99.78%	1,390,472	100.00%	9/30/2013 ^(b)
2013	170,500,658	0.8993	1,532,209	1,520,124	99.21%	1,531,677	99.97%	9/30/2014 ^(b)
2014	200,847,394	0.8760	1,759,271	1,741,079	98.97%	1,759,271	100.00%	9/30/2015 ^(b)
2015	228,582,375	0.8610	1,968,476	1,964,149	99.78%	1,967,053	99.93%	9/30/2016 ^(b)
2016	259,638,238	0.7800	2,033,205	2,017,400	99.22%	2,029,593	99.82%	9/30/2017 ^(b)
2017	284,270,384	0.6800	1,932,368	1,925,225	99.63%	1,926,258	99.68%	9/30/2018 ^(b)
2018	303,139,898	0.6000	1,818,839	1,800,794	99.01%	1,800,794	99.01%	9/30/2019 ^(c)

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

(b) Audited.

(c) Unaudited. Reflects collections through April 30, 2019. Taxes are due with no penalty by January 31, 2019.

District Tax Rates - Table 11

	Tax Rates per \$100 Assessed Valuation							
	2018	2017	2016	2015	2014	2013	2012	2011
Debt Service	\$ 0.5065	\$ 0.4890	\$ 0.5690	\$ 0.6185	\$ 0.6973	\$ 0.7409	\$ 0.7867	\$ 0.7782
Maintenance	0.0935	0.1910	0.2110	0.2425	0.1787	0.1584	0.1126	0.1211
Total	\$ 0.6000	\$ 0.6800	\$ 0.7800	\$ 0.8610	\$ 0.8760	\$ 0.8993	\$ 0.8993	\$ 0.8993

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 5, 2002, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2018 maintenance and operations tax of \$0.0935/\$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 2018, 2017, and 2016 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Name	Type of Property	2018 ^(a)	2017 ^(a)	2016 ^(a)
RSI Communities Texas LLC ^(c)	Real Land and Improvements	\$ 4,213,072	(b)	(b)
HPA Texas Sub 2016-2 LLC	Real Land and Improvements	504,746	928,920	(b)
AMH 2014-1 Borrower LLC	Real Land and Improvements	496,108	478,697	414,201
BLD VOHL 6A-1 LLC ^(d,e)	Real Land and Improvements	468,808	475,904	689,670
Individual Homeowner	Real Land and Improvements	468,155	(b)	390,837
Individual Homeowner	Real Land and Improvements	461,862	452,359	(b)
Individual Homeowner	Real Land and Improvements	456,944	433,700	(b)
Individual Homeowner	Real Land and Improvements	453,520	(b)	(b)
Individual Homeowner	Real Land and Improvements	448,260	447,203	(b)
Individual Homeowner	Real Land and Improvements	446,331	(b)	(b)
Buffington Texas Classic ^(d)	Real Land and Improvements	(b)	442,072	849,779
Luxe Blue LLC	Real Land and Improvements	(b)	534,325	388,681
Individual Homeowner	Real Land and Improvements	(b)	465,000	(b)
Buffington VOHL 5A, 6A, 6B Ltd. ^(d)	Real Land and Improvements	(b)	433,666	676,454
Buffington Texas Classic Homes, L.L.C. ^(d)	Real Land and Improvements	(b)	(b)	672,509
BLD VOHL 6B-2 LLC ^(d)	Real Land and Improvements	(b)	(b)	425,913
Newjon Enterprises Family	Real Land and Improvements	(b)	(b)	412,740
Buffington Land LTD ^(d)	Real Land and Improvements	(b)	(b)	400,541
Total		<u>\$ 8,417,806</u>	<u>\$ 5,091,846</u>	<u>\$ 5,321,325</u>
Percent of Assessed Valuation		2.78%	1.79%	2.05%

- (a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.
- (b) Not a principal taxpayer for respective year.
- (c) A previous developer in the District.
- (d) An entity related to Buffington, a previous developer in the District.
- (e) Landowner of the 5.37 acres of undeveloped commercial tracts.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuations from the 2018 certified assessed valuation and 2019 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 – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*"

Average Requirement on the Bonds and the Outstanding Bonds (2019 through 2040)	\$1,385,659
\$0.49 Tax Rate on 2018 Certified Assessed Valuation of \$303,139,898 @ 95% collections produces	\$1,411,116
\$0.45 Tax Rate on 2019 Preliminary Assessed Valuation of \$329,566,256 @ 95% collections produces	\$1,408,896
Maximum Requirement on the Bonds and the Outstanding Bonds (2029)	\$1,618,294
\$0.57 Tax Rate on 2018 Certified Assessed Valuation of \$303,139,898 @ 95% collections produces	\$1,641,503
\$0.52 Tax Rate on 2019 Preliminary Assessed Valuation of \$329,566,256 @ 95% collections produces	\$1,628,057

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/19	\$1,602,710 (a)
Audited Debt Service Fund Balance as of 9/30/2018	\$ 532,624 ^(b)
2018 Tax Levy @ 95% collections produces	<u>\$ 1,458,633^(c)</u>
Total Available for Debt Service	<u>\$1,991,257</u>
Projected Debt Service Fund Balance 9/30/19	\$388,547

- (a) Interest payments on the Bonds begin March 1, 2020.
- (b) Audited debt service fund balance of as of September 30, 2018; does not include any 2018 tax collections and represents debt service fund balance after all 2018 debt service requirements have been paid.
- (c) The District levied a 2018 debt service tax rate of \$0.5065.

TAXING PROCEDURES

Authority to Levy Taxes

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

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

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by July 1. The District has never adopted a general homestead exemption.

Tax Abatement: Travis County and the District may enter into tax abatement agreements with owners of real property. 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. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are not exempt from taxation by the District.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. 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 for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments

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

Rollback of Operation and Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus 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.

During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date of January 1, 2020, which effectively restricts increases in the District's operation and maintenance tax rates by requiring rollback elections to reduce the operation and maintenance tax component of the District's total tax rate (collectively, the debt service tax rate, maintenance and operations tax rate and contract tax rate are the "total tax rate"). See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. SB 2 requires a reduction in the operation and maintenance tax component of the District's total tax rate if the District's total tax rate surpasses the thresholds for specific classes of districts in SB 2. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

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

The District: A determination as to a district's status as a Low Tax Rate District, Developed District or Other District will be made on an annual basis, at the time a district sets its tax rate, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new rollback election calculation.

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2018". 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.

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

To the extent that the FIRREA provisions are valid and applicable to any property in the 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 owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

LEGAL MATTERS

The District will furnish the Underwriter a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. See "APPENDIX C - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "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 Resolution. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by their counsel, Hunton Andrews Kurth LLP, Houston, Texas.

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

No-Litigation Certificate

The District will furnish to the Underwriter a certificate, dated as of the date of 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

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

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District's federal tax certificate, (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 RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

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 Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of 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 2 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 and when audited financial statements become available. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within such twelve-month period and file audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

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

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 in all material respects with its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

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

OFFICIAL STATEMENT

Preparation

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See "THE DISTRICT". The Board of Directors in its official capacity has relied upon the below mentioned experts and sources in 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 SYSTEM" – District Engineer; "FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued" - Records of the District, "FINANCIAL STATEMENT" – Travis Central Appraisal District; "FINANCIAL STATEMENT - Estimated Overlapping Debt Statement" - Municipal Advisory Council of Texas and Financial Advisor; "TAX DATA" - Records; "THE DISTRICT - Management of the District" - District Directors; "DEBT SERVICE REQUIREMENTS" - Financial Advisor; "THE BONDS," "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 Jones-Heroy & Associates, Inc., and has been included in reliance upon the authority of said firm in the field of engineering.

The Auditor: The District's financial statements for the fiscal year ended September 30, 2018 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, 2018.

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

Official Statement “Deemed Final”

For purposes of compliance with Rule 15c(2)-12 of the Securities Exchange Commission, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in Rule 15c(2)-12.

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 Northeast Travis County Utility District, as of the date shown on the first page hereof.

/s/ John Wilder
President, Board of Directors

/s/ Rhiannon Oxos
Secretary, Board of Directors

PHOTOGRAPHS

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







APPENDIX A

AUDITED FINANCIAL STATEMENTS

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

**NORTHEAST TRAVIS COUNTY
UTILITY DISTRICT**

**Financial Statements
and Supplemental Information
as of and for the Year Ended
September 30, 2018 and
Independent Auditors' Report**



NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TABLE OF CONTENTS

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

ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF TRAVIS

I, _____
(Name of Duly Authorized District Representative)

of the NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20_____, its annual audit report for the fiscal year ended September 30, 2018 and that copies of the annual audit report have been filed in the District office, located at 102 N. Railroad Ave, Pflugerville, TX 78660.

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: _____, 2019 By: _____
(Signature of District Representative)

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

Sworn to and subscribed to before me this _____ day of _____, 2019

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

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

INDEPENDENT AUDITORS' REPORT



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the 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 supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") 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 supplemental information required by the TCEQ listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Maxwell Locke + Ritter LLP

Austin, Texas
January 28, 2019

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

Management's Discussion and Analysis For the Year Ended September 30, 2018

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Northeast Travis County Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2018. Please read it in connection with the District's financial statements that follow.

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

Financial Highlights

- At September 30, 2018, the liabilities of the District exceeded its assets and deferred outflows of resources by approximately \$770,000.
- The District levied an ad valorem tax of \$0.6800 on each \$100 of taxable property within the District. Property within the District was valued at approximately \$284.3 million, which resulted in a property tax levy of \$1,934,658.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

Other supplementary information is also included.

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

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

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

The *Notes to 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*.

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

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2018	2017	% Change
Current assets	\$ 2,087,068	\$ 1,724,562	21.0%
Noncurrent assets	19,537,105	16,378,085	19.3%
Total assets	<u>\$ 21,624,173</u>	<u>\$ 18,102,647</u>	<u>19.5%</u>
Deferred outflows of resources	<u>206,523</u>	<u>218,671</u>	<u>(5.6%)</u>
Current liabilities	\$ 937,664	\$ 893,353	5.0%
Long-term liabilities	21,663,282	18,445,418	17.4%
Total liabilities	<u>\$ 22,600,946</u>	<u>\$ 19,338,771</u>	<u>16.9%</u>
Net investment in capital assets	\$ (1,765,475)	\$ (1,354,480)	30.3%
Restricted for debt service	480,325	519,101	(7.5%)
Unrestricted	514,900	(182,074)	382.8%
Total net position	<u>\$ (770,250)</u>	<u>\$ (1,017,453)</u>	<u>24.3%</u>

The District’s total assets were approximately \$21.6 million as of September 30, 2018. Of this amount, approximately \$7.6 million is accounted for by capital assets and approximately \$11.9 million is accounted for by intangible assets. The District had outstanding liabilities of approximately \$22.6 million at September 30, 2018, of which approximately \$22.5 million represents bonds payable.

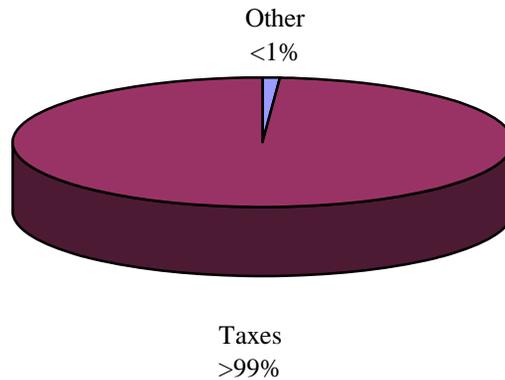
The District’s assessed value for fiscal year 2018 (which is based on the 2017 tax levy) was approximately \$284.3 million compared to approximately \$259.6 million for fiscal year 2017. The tax rate is set after modeling revenue and expenses for the upcoming five year period. The District’s primary revenue source is property taxes.

Statement of Activities

	Governmental Activities		
	2018	2017	% Change
Property taxes, including penalties	\$ 1,937,728	\$ 2,038,400	(4.9%)
Interest and other	13,960	5,669	146.3%
Total revenues	1,951,688	2,044,069	(4.5%)
Service operations	154,756	131,977	17.3%
Debt service	1,033,621	811,218	27.4%
Depreciation	156,720	97,823	60.2%
Amortization	359,388	342,161	5.0%
Total expenses	1,704,485	1,383,179	23.2%
Change in net position	247,203	660,890	(62.6%)
Beginning net position	(1,017,453)	(1,678,343)	39.4%
Ending net position	\$ (770,250)	\$ (1,017,453)	24.3%

Operating revenues decreased by approximately \$92,000 for the fiscal year ended September 30, 2018. Property taxes generated approximately \$1.9 million in revenues and interest and other earnings provided approximately \$14,000 in revenues for the year ended September 30, 2018. Total expenses increased by approximately \$321,000 for the fiscal year ended September 30, 2018. Net position increased approximately \$247,000 during fiscal year 2018 to an ending deficit balance of approximately \$770,000 as of September 30, 2018.

Sources of Revenue



Analysis of Governmental Funds

Government Funds by Year

	2018	2017	2016
Cash and cash equivalents	\$ 2,075,391	\$ 1,665,921	\$ 2,179,887
Receivables	16,974	59,369	21,180
Prepaid expenditures	-	46,486	7,960
Total assets	<u>\$ 2,092,365</u>	<u>\$ 1,771,776</u>	<u>\$ 2,209,027</u>
Accounts payable	\$ 11,782	\$ 8,485	\$ 5,930
Other liabilities	5,297	47,214	14,238
Total liabilities	<u>17,079</u>	<u>55,699</u>	<u>20,168</u>
Deferred inflows of resources	<u>11,677</u>	<u>12,155</u>	<u>6,942</u>
Nonspendable fund balance	-	-	7,960
Restricted fund balance	1,011,806	1,060,840	1,017,664
Unassigned fund balance	<u>1,051,803</u>	<u>643,082</u>	<u>1,156,293</u>
Total fund balances	<u>2,063,609</u>	<u>1,703,922</u>	<u>2,181,917</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,092,365</u>	<u>\$ 1,771,776</u>	<u>\$ 2,209,027</u>

The *General Fund* pays for daily operating expenditures. When comparing actual figures to budget, revenues were greater than budget by approximately \$16,000 due to more property tax revenue received in the current fiscal year. Expenditures were lower than budgeted amounts by approximately \$143,000 due to general cost savings among most categories of expenditures. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$525,000 and interest of \$1,041,006 during the 2018 fiscal year. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The *Capital Projects Fund* and the *General Fund* primarily purchase the District's infrastructure. During the fiscal year, the District had \$3,643,632 of capital outlay expenditures.

Capital Assets, Intangible Assets and Long-Term Debt Activity

Capital Assets, net

	2018	2017
Land	\$ 223,959	\$ 223,959
Drainage facilities	7,904,350	4,829,226
Detention pond and channel	<u>218,863</u>	<u>218,863</u>
Subtotal	8,347,172	5,272,048
Accumulated depreciation	<u>(713,097)</u>	<u>(556,377)</u>
Total	<u>\$ 7,634,075</u>	<u>\$ 4,715,671</u>

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

Intangible Assets, net

	2018	2017
Rights to receive service	\$ 15,482,954	\$ 14,914,446
Accumulated amortization	(3,626,437)	(3,267,049)
Total	<u>\$ 11,856,517</u>	<u>\$ 11,647,397</u>

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

Long-Term Debt Activity

	2018	2017
Series 2012 bonds	\$ 1,545,000	\$ 1,585,000
Series 2012A bonds	1,470,000	1,475,000
Series 2012B bonds	4,780,000	4,810,000
Series 2014 bonds	1,000,000	1,005,000
Series 2014A bonds	1,080,000	1,085,000
Series 2016 bonds	7,395,000	7,830,000
Series 2017 bonds	4,135,000	-
Total	<u>\$ 21,405,000</u>	<u>\$ 17,790,000</u>

The District owes approximately \$21.4 million to bond holders at September 30, 2018. During the year, the District paid \$525,000 in principal payments on outstanding bonds. 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

For fiscal year 2019, the tax rate has been set at \$0.6000 per \$100 of assessed valuation with \$0.0935 for maintenance and operating expenditures and \$0.5065 for debt service expenditures. The adopted budget for fiscal year 2019 projects revenues of approximately \$279,000 and expenditures of approximately \$249,000 for the General Fund.

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 Ronald J. Freeman, 102 N. Railroad Ave, Pflugerville, TX 78660.

**BASIC
FINANCIAL STATEMENTS**

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
ASSETS:						
Cash and cash equivalents:						
Cash on deposit	\$ 902,748	19,494	479,182	1,401,424	-	1,401,424
Cash equivalent investments	155,540	518,427	-	673,967	-	673,967
Receivables:						
Taxes	3,188	8,489	-	11,677	-	11,677
Interfund	5,297	-	-	5,297	(5,297)	-
Bond insurance costs	-	-	-	-	46,513	46,513
Intangible assets, net of accumulated amortization-						
Rights to receive service	-	-	-	-	11,856,517	11,856,517
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	223,959	223,959
Drainage facilities	-	-	-	-	7,244,393	7,244,393
Detention pond and channel	-	-	-	-	165,723	165,723
Total assets	<u>\$ 1,066,773</u>	<u>\$ 546,410</u>	<u>\$ 479,182</u>	<u>\$ 2,092,365</u>	<u>19,531,808</u>	<u>21,624,173</u>
DEFERRED OUTFLOWS OF RESOURCES-						
Deferred charges on refundings	-	-	-	-	206,523	206,523
LIABILITIES:						
Accounts payable	\$ 11,782	-	-	11,782	-	11,782
Accrued bond interest payable	-	-	-	-	60,788	60,788
Interfund payables	-	5,297	-	5,297	(5,297)	-
Long-term liabilities:						
Due within one year	-	-	-	-	865,094	865,094
Due after one year, net	-	-	-	-	21,663,282	21,663,282
Total liabilities	<u>11,782</u>	<u>5,297</u>	<u>-</u>	<u>17,079</u>	<u>22,583,867</u>	<u>22,600,946</u>
DEFERRED INFLOWS OF RESOURCES-						
Deferred revenue - property taxes	<u>3,188</u>	<u>8,489</u>	<u>-</u>	<u>11,677</u>	<u>(11,677)</u>	<u>-</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for debt service	-	532,624	-	532,624	(532,624)	-
Restricted for capital projects	-	-	479,182	479,182	(479,182)	-
Unassigned	1,051,803	-	-	1,051,803	(1,051,803)	-
Total fund balances	<u>1,051,803</u>	<u>532,624</u>	<u>479,182</u>	<u>2,063,609</u>	<u>(2,063,609)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,066,773</u>	<u>\$ 546,410</u>	<u>\$ 479,182</u>	<u>\$ 2,092,365</u>		
Net position:						
Net investment in capital assets					(1,765,475)	(1,765,475)
Restricted for debt service					480,325	480,325
Unrestricted					514,900	514,900
Total net position					<u>\$ (770,250)</u>	<u>(770,250)</u>

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES YEAR ENDED SEPTEMBER 30, 2018

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
EXPENDITURES / EXPENSES:						
Current:						
Utilities	\$ 42,598	-	-	42,598	-	42,598
Legal fees	22,685	-	-	22,685	-	22,685
Engineering fees	9,356	-	-	9,356	-	9,356
Audit fees	17,000	-	-	17,000	-	17,000
Bookkeeping	20,733	-	-	20,733	-	20,733
Repairs and maintenance	12,481	-	-	12,481	-	12,481
Director fees, including payroll taxes	5,329	-	-	5,329	-	5,329
Insurance	2,412	-	-	2,412	-	2,412
Tax appraisal / collection	3,101	7,940	-	11,041	-	11,041
Other	4,625	-	6,496	11,121	-	11,121
Capital outlay	-	-	3,643,632	3,643,632	(3,643,632)	-
Debt service:						
Principal payments	-	525,000	-	525,000	(525,000)	-
Interest	-	1,041,006	-	1,041,006	(297,722)	743,284
Fiscal agent fees and other	500	2,600	-	3,100	-	3,100
Bond issuance costs	-	-	321,037	321,037	(33,800)	287,237
Depreciation	-	-	-	-	156,720	156,720
Amortization	-	-	-	-	359,388	359,388
Total expenditures / expenses	140,820	1,576,546	3,971,165	5,688,531	(3,984,046)	1,704,485
REVENUES:						
Property taxes, including penalties	545,126	1,393,080	-	1,938,206	(478)	1,937,728
Interest	4,415	8,399	1,146	13,960	-	13,960
Total revenues	549,541	1,401,479	1,146	1,952,166	(478)	1,951,688
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	408,721	(175,067)	(3,970,019)	(3,736,365)	3,736,365	-
OTHER FINANCING SOURCES (USES):						
Issuance of bonds	-	148,267	3,991,733	4,140,000	(4,140,000)	-
Discount on sale of bonds	-	-	(43,948)	(43,948)	43,948	-
Total other financing sources, net	-	148,267	3,947,785	4,096,052	(4,096,052)	-
CHANGE IN FUND BALANCES / NET POSITION	408,721	(26,800)	(22,234)	359,687	(112,484)	247,203
FUND BALANCES / NET POSITION:						
Beginning of the year	643,082	559,424	501,416	1,703,922	(2,721,375)	(1,017,453)
End of the year	\$ 1,051,803	532,624	479,182	2,063,609	(2,833,859)	(770,250)

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND YEAR ENDED SEPTEMBER 30, 2018

	APPROVED BUDGET	ACTUAL	VARIANCE
REVENUES:			
Property taxes, including penalties	\$ 532,543	545,126	12,583
Interest	750	4,415	3,665
	533,293	549,541	16,248
EXPENDITURES:			
Utilities	45,000	42,598	2,402
Legal fees	25,000	22,685	2,315
Engineering fees	25,000	9,356	15,644
Audit fees	17,000	17,000	-
Bookkeeping	15,000	20,733	(5,733)
Repairs and maintenance	100,000	12,481	87,519
Director fees, including payroll taxes	10,000	5,329	4,671
Insurance	4,000	2,412	1,588
Tax appraisal / collection	15,000	3,101	11,899
Other	27,750	5,125	22,625
	283,750	140,820	142,930
EXCESS OF REVENUES OVER EXPENDITURES	249,543	408,721	159,178
FUND BALANCE:			
Beginning of the year	643,082	643,082	-
End of the year	\$ 892,625	1,051,803	159,178

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

**NOTES TO THE BASIC
FINANCIAL STATEMENTS**

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

NOTES TO THE BASIC FINANCIAL STATEMENTS YEAR ENDED SEPTEMBER 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

Budgets and Budgetary Accounting

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Cash and Cash Equivalents - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of a short-term external local government investment pool, is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*.

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

Intangible Assets - Intangible assets, which include rights to receive service, are reported in the governmental activities column in the government-wide financial statements. Intangible assets are defined by GASB Statement No. 51 as assets which lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. Intangible assets are amortized using the straight line method over the estimated life of the assets, which in this case is estimated to be 40 years based on the initial term of the Comprehensive Development Agreement (the "Agreement") entered into between the District and the City of Pflugerville (the "City").

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

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

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, including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures during the period incurred in the fund financial statements.

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

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

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.

Fair Value Measurements - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

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

Recently Issued Accounting Pronouncements

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

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Governmental funds total fund balance	\$ 2,063,609
Capital assets and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Capital assets, net of accumulated depreciation	7,634,075
Intangible assets, net of accumulated amortization	11,856,517
Bond insurance costs	46,513
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	11,677
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, net of bond premiums and discounts	(21,988,285)
Less: Deferred charges on bond refundings	206,523
Accretion payable	(540,091)
Bond interest payable	(60,788)
Total net position	<u>\$ (770,250)</u>

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

Net change in governmental fund balances	\$ 359,687
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation or amortization expense:	
Capital outlay	3,643,632
Depreciation	(156,720)
Amortization of rights to receive service	(359,388)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. Change in deferred tax revenue	(478)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. Bond proceeds, net of discount	(4,096,052)
Repayment of bond principal	525,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. Change in accretion payable	288,205
Change in bond interest payable	(11,450)
Amortization of bond premiums	38,601
Amortization of bond discounts	(3,182)
Amortization of deferred charges on bond refundings	(12,148)
Bond insurance premium	33,800
Amortization of bond insurance costs	(2,304)
Change in net position	<u>\$ 247,203</u>

3. CASH AND CASH EQUIVALENTS

The District's deposits are required to be secured in a manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2018, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

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

The District is entitled to invest in the following:

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

Investments held at September 30, 2018 consisted of the following:

<u>Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>	<u>Standard & Poor’s Rating</u>
Local Government Investment Pool - TexPool	<u>\$ 673,967</u>	1	AAAm

Although Texas Local Government Investment Pool (“TexPool”) is not registered with the SEC as an investment company, it does operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

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

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

Credit Risk - At September 30, 2018, investments were included in an external local government investment pool with ratings from Standard & Poor’s in compliance with the District’s investment policy.

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

4. INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “interfund receivables” or “interfund payables.” The composition of interfund balances as of September 30, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt service	\$ 5,297
Total		<u>\$ 5,297</u>

5. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2018 was as follows:

	Balance September 30, 2017	Additions	Retirements and Transfers	Balance September 30, 2018
Capital asset not being depreciated-				
Land	\$ 223,959	-	-	223,959
Capital assets being depreciated:				
Drainage facilities	4,829,226	3,075,124	-	7,904,350
Detention pond and channel	218,863	-	-	218,863
Total capital assets being depreciated	5,048,089	3,075,124	-	8,123,213
Less accumulated depreciation for:				
Drainage facilities	(507,615)	(152,343)	-	(659,958)
Detention pond and channel	(48,762)	(4,377)	-	(53,139)
Total accumulated depreciation	(556,377)	(156,720)	-	(713,097)
Total capital assets being depreciated, net	4,491,712	2,918,404	-	7,410,116
Capital assets, net	\$ 4,715,671	2,918,404	-	7,634,075

6. INTANGIBLE ASSETS

Intangible assets activity for the year ended September 30, 2018 was as follows:

	Balance September 30, 2017	Additions	Retirements and Transfers	Balance September 30, 2018
Rights to receive service	\$ 14,914,446	568,508	-	15,482,954
Less: accumulated amortization	(3,267,049)	(359,388)	-	(3,626,437)
Intangible assets, net	\$ 11,647,397	209,120	-	11,856,517

7. DEFERRED CHARGES ON BOND REFUNDINGS

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Deferred charges on bond refundings	\$ 218,671	-	(12,148)	206,523

8. LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended September 30, 2018:

	Balance September 30, 2017	Additions/ Refundings	Retirements	Balance September 30, 2018
Bonds payable - Series 2012	1,585,000	-	(40,000)	1,545,000
Bonds payable - Series 2012A	1,475,000	-	(5,000)	1,470,000
Bonds payable - Series 2012B	4,810,000	-	(30,000)	4,780,000
Bonds payable - Series 2014	1,005,000	-	(5,000)	1,000,000
Bonds payable - Series 2014A	1,085,000	-	(5,000)	1,080,000
Bonds payable - Series 2016	7,830,000	-	(435,000)	7,395,000
Bonds payable - Series 2017	-	4,140,000	(5,000)	4,135,000
Accretion payable	828,296	41,795	(330,000)	540,091
Premium on bond issuances, net	684,345	-	(38,601)	645,744
Discount on bond issuances, net	(21,693)	(43,948)	3,182	(62,459)
Total	\$ 19,280,948	4,137,847	(890,419)	22,528,376

Bonds payable at September 30, 2018 consisted of the following:

Series	Description	Matures	Interest Rates	Balance September 30, 2018	Due within one year
2012	Unlimited Tax Refunding Bonds	2033	2.00% - 4.00%	1,545,000	45,000
2012A	Unlimited Tax Bonds	2037	3.00 % -4.25%	1,470,000	5,000
2012B	Unlimited Tax Refunding Bonds	2032	2.00% - 3.25%	4,780,000	345,000
2014	Unlimited Tax Bonds	2038	3.00% - 5.00%	1,000,000	5,000
2014A	Unlimited Tax Bonds	2039	3.75% - 5.75%	1,080,000	5,000
2016	Refunding Bonds	2035	1.17% - 4.00%	7,395,000	445,000
2017	Unlimited Tax Bonds	2040	3.00% - 4.25%	4,135,000	5,000
	Total			\$ 21,405,000	\$ 855,000

At September 30, 2018, \$10,094 of the outstanding accretion payable balance of \$540,091 due on Capital Appreciation Bonds is considered current.

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

On October 31, 2017, the District issued \$4,140,000 in Unlimited Tax Bonds, Series 2017 to reimburse the District’s developer for construction and engineering costs, water capacity fees, wastewater impact fees, capitalize interest related to the bond, pay interest on funds advanced by the developer on behalf of the District, and pay administrative costs and certain other costs related to the issuance of the bond.

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

Fiscal Year	Principal	Interest	Total Requirement
2019	\$ 855,000	747,671	1,602,671
2020	905,000	720,637	1,625,637
2021	910,000	698,004	1,608,004
2022	945,000	675,218	1,620,218
2023	975,000	651,670	1,626,670
2024-2028	4,900,000	3,286,928	8,186,928
2029-2033	5,160,000	2,066,051	7,226,051
2034-2038	4,740,000	914,808	5,654,808
2039-2040	2,015,000	107,063	2,122,063
Total	<u>\$ 21,405,000</u>	<u>9,868,050</u>	<u>31,273,050</u>

The outstanding Series 2012 and Series 2016 bonds include both Serial Bonds and Capital Appreciation Bonds. The interest shown above, with respect to the Capital Appreciation Bonds, includes the interest to be paid on bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

At September 30, 2018, unlimited tax bonds totaling \$22,385,000 were authorized by the District, but unissued.

9. PROPERTY TAXES

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

In September 2017, the District levied a combined tax rate of \$0.6800 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.1910 and \$0.4890, respectively, for fiscal year 2018. The total 2017 tax levy was \$1,934,658 based on a taxable valuation of \$284,270,384.

10. FUND BALANCES

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

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

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

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

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

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

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

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

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

11. AGREEMENT WITH CITY OF PFLUGERVILLE

The District, the developers in the District, and the City have entered into an Agreement, dated June 2001, as amended. Pursuant to the Agreement, the City consented to the creation of the District. The developers, the District, and the City further agreed in the Agreement that the water and wastewater facilities constructed by the developers on behalf of the District to serve residents in the District would be sold to the District from time to time as the District can issue and sell its bonds to pay for the facilities, as approved by the Texas Commission on Environmental Quality. Prior to the sale of the water and wastewater facilities to the District, the developers agree to lease the facilities to the City for maintenance and operation by the City. After purchase of the facilities by the District, the District agrees to transfer the facilities to the City for maintenance and operation by the City. The City further agreed to use the water and wastewater facilities leased or transferred to it to provide retail water and wastewater service to residents in the District at inside-city rates. As of September 30, 2018, the District has \$11,856,517 in net intangible assets related to the rights to receive water and wastewater service from the City pursuant to the Agreement.

12. COMMITMENTS AND CONTINGENCIES

The District is currently under development and the construction of facilities is being paid by the developers of the District. The Board of the District authorized the funding of the projects and the reimbursement of the developer for the cost of the projects out of bond proceeds when the bonds are authorized and issued. The bond proceeds will be used to purchase all of the capital assets within the District, including related infrastructure. As of September 30, 2018, the estimate of total bonds needed to purchase the remaining infrastructure was \$22,385,000. The District has agreed to reimburse various developers for the cost of certain projects to the extent allowed by the Texas Commission on Environmental Quality. The District is not obligated to reimburse the developers until bonds are issued. At September 30, 2018, the District has recorded no liability pertaining to such costs.

13. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. During the year ended September 30, 2018, there were no significant reductions in insurance coverage from coverage in the prior year. No claims were filed during the last three years.

**TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SUPPLEMENTAL INFORMATION**

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY SEPTEMBER 30, 2018

SCHEDULE INCLUDED		
<u>YES</u>	<u>NO</u>	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u>X</u>	<u> </u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5 Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years Ended September 30, 2018
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-0 NOTES REQUIRED BY THE WATER DISTRICT ACCOUNTING MANUAL SEPTEMBER 30, 2018

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

(A) Creation of District

See Note 1 to basic financial statements.

(B) Contingent Liabilities

See Note 12 to basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

See Note 8 to basic financial statements.

(E) Compliance with Debt Service Requirements

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

(F) Redemption of Bonds

See Note 8 to basic financial statements.

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-1 SCHEDULE OF SERVICES AND RATES SEPTEMBER 30, 2018

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

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

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes No

Total charges per 10,000 gallons usage: Water _____ Wastewater _____

b. Water and Wastewater Retail Connections:

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

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

**TSI-1 SCHEDULE OF SERVICES AND RATES (continued)
SEPTEMBER 30, 2018**

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

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio (Gallons billed / Gallons Pumped) (1)

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

Does the District assess standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: _____ Travis County

Is the District located entirely within one county? Yes No

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

City(ies) in which district is located: _____ Pflugerville

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

Entirely Partly Not at all

ETJ's in which district is located: _____ Pflugerville

Are Board members appointed by an office outside the district?

Yes No

If Yes, by whom? _____

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-2 SCHEDULE OF GENERAL FUND EXPENDITURES SEPTEMBER 30, 2018

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		17,000
Legal		22,685
Engineering		9,356
Financial Advisor		-
Purchased Services For Resale:		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		20,733
General Manager		-
Appraisal District		2,556
Tax Collector		545
Other Contracted Services		-
Utilities		42,598
Repairs and Maintenance		12,481
Administrative Expenditures:		
Directors' Fees		5,329
Office Supplies		-
Insurance		2,412
Other Administrative Expenditures		4,625
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Tap Connection Expenditures		-
Solid Waste Disposal		-
Fire Fighting		-
Parks and Recreation		-
Other Expenditures		500
TOTAL EXPENDITURES	\$	<u>140,820</u>

Number of persons employed by the District:

Full-Time

Part-Time

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-3 SCHEDULE OF TEMPORARY INVESTMENTS SEPTEMBER 30, 2018

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at September 30, 2018	Accrued Interest Receivable at September 30, 2018
General Fund -					
Investment in TexPool	7923200002	Variable	N/A	\$ 155,540	\$ -
Total General Fund				<u>155,540</u>	<u>-</u>
Debt Service Fund -					
Investment in TexPool	7923200001	Variable	N/A	518,427	-
Total Debt Service Fund				<u>518,427</u>	<u>-</u>
Total - All Funds				<u><u>\$ 673,967</u></u>	<u><u>\$ -</u></u>

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-4 ANALYSIS OF TAXES LEVIED AND RECEIVABLE SEPTEMBER 30, 2018

	<u>Maintenance Taxes</u>		<u>Debt Service Taxes</u>		
Taxes Receivable, Beginning of Year	\$	3,140	\$	9,015	
2017 Original Tax Levy		543,412		1,391,246	
Adjustments		399		(2,689)	
Total to be accounted for		<u>546,951</u>		<u>1,397,572</u>	
Tax collections:					
Current year		541,964		1,383,261	
Prior years		1,799		5,822	
Total collections		<u>543,763</u>		<u>1,389,083</u>	
Taxes Receivable, End of Year	<u>\$</u>	<u>3,188</u>	<u>\$</u>	<u>8,489</u>	
Taxes Receivable, By Years					
2013	\$	94	\$	438	
2014		-		-	
2015		401		1,022	
2016		977		2,635	
2017		1,716		4,394	
Taxes Receivable, End of Year	<u>\$</u>	<u>3,188</u>	<u>\$</u>	<u>8,489</u>	
Property Valuations:	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Land and improvements	<u>\$ 284,270,384</u>	<u>\$ 259,638,238</u>	<u>\$ 228,582,375</u>	<u>\$ 200,847,394</u>	<u>\$ 170,500,658</u>
Total Property Valuations	<u>\$ 284,270,384</u>	<u>\$ 259,638,238</u>	<u>\$ 228,582,375</u>	<u>\$ 200,847,394</u>	<u>\$ 170,500,658</u>
Tax Rates per \$100 Valuation:					
Debt Service tax rates	\$ 0.4890	\$ 0.5690	\$ 0.6185	\$ 0.6973	\$ 0.7409
Maintenance tax rates	0.1910	0.2110	0.2425	0.1787	0.1584
Total Tax Rates per \$100 Valuation:	<u>\$ 0.6800</u>	<u>\$ 0.7800</u>	<u>\$ 0.8610</u>	<u>\$ 0.8760</u>	<u>\$ 0.8993</u>
Original Tax Levy	<u>\$ 1,934,658</u>	<u>\$ 2,026,053</u>	<u>\$ 1,973,799</u>	<u>\$ 1,762,382</u>	<u>\$ 1,532,325</u>
Percent of Taxes Collected to Taxes Levied **	<u>99.7%</u>	<u>99.8%</u>	<u>99.9%</u>	<u>100.0%</u>	<u>99.9%</u>
Maximum Tax Rate Approved by Voters:	<u>\$ 1.00</u>	<u>on 11/5/2002</u>			

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS SEPTEMBER 30, 2018

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2012			Unlimited Tax Bonds Series 2012A			Unlimited Tax Refunding Bonds Series 2012B			Unlimited Tax Bonds Series 2014		
	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
2019	\$ 45,000	58,750	103,750	5,000	54,448	59,448	345,000	151,713	496,713	5,000	45,754	50,754
2020	45,000	57,850	102,850	5,000	54,313	59,313	365,000	141,363	506,363	5,000	45,604	50,604
2021	45,000	56,500	101,500	5,000	54,131	59,131	370,000	130,413	500,413	5,000	45,454	50,454
2022	45,000	55,150	100,150	5,000	53,944	58,944	375,000	119,313	494,313	5,000	45,304	50,304
2023	50,000	53,800	103,800	5,000	53,744	58,744	405,000	108,063	513,063	5,000	45,144	50,144
2024	50,000	51,800	101,800	5,000	53,544	58,544	410,000	94,900	504,900	5,000	44,976	49,976
2025	50,000	49,800	99,800	5,000	53,338	58,338	440,000	81,575	521,575	5,000	44,801	49,801
2026	55,000	47,800	102,800	5,000	53,131	58,131	445,000	67,275	512,275	5,000	44,614	49,614
2027	5,000	315,600	320,600	5,000	52,925	57,925	245,000	52,813	297,813	5,000	44,414	49,414
2028	5,000	315,600	320,600	5,000	52,713	57,713	250,000	44,850	294,850	5,000	44,201	49,201
2029	10,000	310,600	320,600	5,000	52,531	57,531	275,000	36,725	311,725	5,000	43,981	48,981
2030	270,000	45,600	315,600	5,000	52,350	57,350	270,000	27,788	297,788	5,000	43,751	48,751
2031	280,000	34,800	314,800	5,000	52,169	57,169	295,000	19,013	314,013	5,000	43,516	48,516
2032	290,000	23,600	313,600	5,000	51,988	56,988	290,000	9,419	299,419	5,000	43,276	48,276
2033	300,000	12,000	312,000	5,000	51,806	56,806	-	-	-	5,000	43,031	48,031
2034	-	-	-	250,000	51,625	301,625	-	-	-	100,000	42,781	142,781
2035	-	-	-	300,000	42,563	342,563	-	-	-	150,000	38,156	188,156
2036	-	-	-	400,000	31,688	431,688	-	-	-	200,000	31,219	231,219
2037	-	-	-	445,000	16,724	461,724	-	-	-	225,000	21,969	246,969
2038	-	-	-	-	-	-	-	-	-	250,000	11,563	261,563
2039	-	-	-	-	-	-	-	-	-	-	-	-
2040	-	-	-	-	-	-	-	-	-	-	-	-
	<u>\$ 1,545,000</u>	<u>1,489,250</u>	<u>3,034,250</u>	<u>1,470,000</u>	<u>939,675</u>	<u>2,409,675</u>	<u>4,780,000</u>	<u>1,085,223</u>	<u>5,865,223</u>	<u>1,000,000</u>	<u>813,509</u>	<u>1,813,509</u>

(continued)

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS (continued) SEPTEMBER 30, 2018

Fiscal Year Ending	Unlimited Tax Bonds Series 2014A			Unlimited Tax Refunding Bonds Series 2016			Unlimited Tax Refunding Bonds Series 2017			Annual Requirements for All Series		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2019	5,000	41,400	46,400	445,000	253,550	698,550	5,000	142,056	147,056	855,000	747,671	1,602,671
2020	5,000	41,113	46,113	475,000	238,550	713,550	5,000	141,844	146,844	905,000	720,637	1,625,637
2021	5,000	40,825	45,825	475,000	229,050	704,050	5,000	141,631	146,631	910,000	698,004	1,608,004
2022	5,000	40,538	45,538	505,000	219,550	724,550	5,000	141,419	146,419	945,000	675,218	1,620,218
2023	5,000	40,250	45,250	500,000	209,450	709,450	5,000	141,219	146,219	975,000	651,670	1,626,670
2024	5,000	39,963	44,963	535,000	194,450	729,450	5,000	141,019	146,019	1,015,000	620,652	1,635,652
2025	5,000	39,675	44,675	535,000	178,400	713,400	5,000	140,819	145,819	1,045,000	588,408	1,633,408
2026	5,000	39,388	44,388	560,000	157,000	717,000	5,000	140,681	145,681	1,080,000	549,889	1,629,889
2027	5,000	39,100	44,100	580,000	134,600	714,600	5,000	140,544	145,544	850,000	779,996	1,629,996
2028	5,000	38,813	43,813	635,000	111,400	746,400	5,000	140,406	145,406	910,000	747,983	1,657,983
2029	5,000	38,625	43,625	645,000	86,000	731,000	5,000	140,269	145,269	950,000	708,731	1,658,731
2030	5,000	38,438	43,438	680,000	60,200	740,200	5,000	140,056	145,056	1,240,000	408,183	1,648,183
2031	5,000	38,250	43,250	380,000	33,000	413,000	325,000	139,844	464,844	1,295,000	360,592	1,655,592
2032	5,000	38,063	43,063	95,000	17,800	112,800	150,000	126,031	276,031	840,000	310,177	1,150,177
2033	5,000	37,875	42,875	95,000	14,000	109,000	425,000	119,656	544,656	835,000	278,368	1,113,368
2034	5,000	37,688	42,688	115,000	10,200	125,200	375,000	106,906	481,906	845,000	249,200	1,094,200
2035	5,000	37,500	42,500	140,000	5,600	145,600	300,000	95,656	395,656	895,000	219,475	1,114,475
2036	230,000	37,313	267,313	-	-	-	125,000	86,281	211,281	955,000	186,501	1,141,501
2037	245,000	28,688	273,688	-	-	-	100,000	82,219	182,219	1,015,000	149,600	1,164,600
2038	255,000	19,500	274,500	-	-	-	525,000	78,969	603,969	1,030,000	110,032	1,140,032
2039	265,000	9,938	274,938	-	-	-	725,000	61,250	786,250	990,000	71,188	1,061,188
2040	-	-	-	-	-	-	1,025,000	35,875	-	1,025,000	35,875	1,060,875
	<u>1,080,000</u>	<u>762,943</u>	<u>1,842,943</u>	<u>7,395,000</u>	<u>2,152,800</u>	<u>9,547,800</u>	<u>4,135,000</u>	<u>2,624,650</u>	<u>5,698,775</u>	<u>21,405,000</u>	<u>9,868,050</u>	<u>31,273,050</u>

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-6 ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT SEPTEMBER 30, 2018

	Bond Issue							Total
	Series 2012	Series 2012A	Series 2012B	Series 2014	Series 2014A	Series 2016	Series 2017	
Interest Rate	2.0% - 4.0%	3.00% -4.25%	2.00% - 3.25%	3.00% - 5.00%	3.75%-5.75%	1.17%-4.0%	3.0%-4.25%	
Date Interest Payable	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	
Maturity Date	9/1/2033	9/1/2037	9/1/2032	9/1/2038	9/1/2039	9/1/2035	9/1/2040	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 1,585,000	\$ 1,475,000	\$ 4,810,000	\$ 1,005,000	\$ 1,085,000	\$ 7,830,000	\$ -	\$ 17,790,000
Bonds Sold During the Current Fiscal Year	-	-	-	-	-	-	4,140,000	\$ 4,140,000
Retirements During the Current Fiscal Year:								
Principal	(40,000)	(5,000)	(30,000)	(5,000)	(5,000)	(435,000)	(5,000)	\$ (525,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 1,545,000</u>	<u>\$ 1,470,000</u>	<u>\$ 4,780,000</u>	<u>\$ 1,000,000</u>	<u>\$ 1,080,000</u>	<u>\$ 7,395,000</u>	<u>\$ 4,135,000</u>	<u>\$ 21,405,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 59,550</u>	<u>\$ 54,650</u>	<u>\$ 466,712</u>	<u>\$ 45,904</u>	<u>\$ 41,688</u>	<u>\$ 253,550</u>	<u>\$ 118,952</u>	<u>\$ 1,041,006</u>
Paying Agent's Name & Address:	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	<u>BOKF, N.A.</u>	
	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	<u>Austin, TX</u>	
Bond Authority:	<u>Tax Bonds*</u>	<u>Other Bonds</u>	<u>Refunding Bonds</u>					
Amount Authorized by Voters	\$ 50,000,000	\$ -	\$ -					
Amount Issued	<u>27,615,000</u>	<u>-</u>	<u>22,725,000</u>	(1)				
Remaining To Be Issued	<u>\$ 22,385,000</u>	<u>\$ -</u>	<u>\$ -</u>					

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

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2018: \$ 537,921

Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt: \$ 1,421,502

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

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

	AMOUNTS					PERCENT OF TOTAL FUND REVENUES				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
GENERAL FUND										
REVENUES:										
Property taxes, including penalties	\$ 545,126	\$ 550,554	\$ 561,182	\$ 357,378	\$ 268,758	99.2%	99.7%	99.8%	99.9%	99.9%
Interest	4,415	1,394	908	228	210	0.8%	0.3%	0.2%	0.1%	0.1%
TOTAL REVENUES	549,541	551,948	562,090	357,606	268,968	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES:										
Utilities	42,598	32,913	35,657	35,765	33,102	7.8%	6.0%	6.3%	10.0%	12.3%
Legal fees	22,685	17,920	14,972	12,149	23,139	4.1%	3.2%	2.7%	3.4%	8.6%
Engineering fees	9,356	11,973	9,491	6,169	17,475	1.7%	2.2%	1.7%	1.7%	6.5%
Audit fees	17,000	16,500	16,500	16,500	16,500	3.1%	3.0%	2.9%	4.6%	6.1%
Bookkeeping	20,733	15,086	13,533	11,644	13,028	3.8%	2.7%	2.4%	3.3%	4.8%
Repairs and maintenance	12,481	11,982	32,636	11,299	10,465	2.3%	2.2%	5.8%	3.2%	3.9%
Director fees, including payroll taxes	5,329	4,376	4,844	3,552	6,943	1.0%	0.8%	0.9%	1.0%	2.6%
Insurance	2,412	2,256	2,139	2,011	2,115	0.4%	0.4%	0.4%	0.6%	0.8%
Tax appraisal/collection	3,101	3,143	4,591	2,353	1,416	0.6%	0.6%	0.8%	0.7%	0.5%
Other	5,125	7,314	5,495	2,720	7,336	0.9%	1.3%	1.0%	0.8%	2.7%
Capital outlay	-	941,696	-	-	-	-	170.6%	-	-	-
TOTAL EXPENDITURES	140,820	1,065,159	139,858	104,162	131,519	25.7%	193.0%	24.9%	29.3%	48.9%
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 408,721	\$ (513,211)	\$ 422,232	\$ 253,444	\$ 137,449	74.3%	-93.0%	75.1%	70.7%	51.1%
DEBT SERVICE FUND										
REVENUES AND OTHER FINANCING SOURCES:										
Property taxes, including penalties	\$ 1,393,080	\$ 1,482,633	\$ 1,435,996	\$ 1,395,678	\$ 1,258,266	89.9%	14.7%	99.9%	94.2%	93.5%
Interest	8,399	3,925	1,827	483	202	0.5%	-	0.1%	0.1%	-
Bond proceeds, net of discount	148,267	-	-	85,961	87,125	9.6%	-	-	5.7%	6.5%
Refunding bond proceeds, including premium	-	8,619,828	-	-	-	-	85.3%	-	-	-
TOTAL REVENUES AND OTHER FINANCING SOURCES	1,549,746	10,106,386	1,437,823	1,482,122	1,345,593	100.0%	100.0%	100.0%	100.0%	100.0%
EXPENDITURES AND OTHER FINANCING USES:										
Principal	525,000	565,000	780,000	750,000	500,000	33.9%	5.6%	54.2%	50.6%	37.2%
Interest	1,041,006	876,050	705,980	723,232	906,473	67.2%	8.7%	49.1%	48.8%	67.4%
Other	10,540	13,714	10,786	13,016	11,169	0.7%	0.1%	0.8%	0.9%	0.8%
Bond issuance costs	-	295,937	-	-	-	-	2.9%	-	-	-
Payment to refunded bond escrow agent	-	8,320,819	-	-	-	-	82.3%	-	-	-
TOTAL EXPENDITURES AND OTHER FINANCING USES	1,576,546	10,071,520	1,496,766	1,486,248	1,417,642	101.8%	99.7%	104.1%	100.3%	105.4%
EXCESS (DEFICIT) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER FINANCING USES	\$ (26,800)	\$ 34,866	\$ (58,943)	\$ (4,126)	\$ (72,049)	-1.8%	0.3%	-4.1%	-0.3%	-5.4%
TOTAL ACTIVE RETAIL WATER CONNECTIONS	- (1)	-	- (1)	- (1)	- (1)					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	- (1)	-	- (1)	- (1)	- (1)					

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

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

TSI-8 BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS SEPTEMBER 30, 2018

Complete District Mailing Address:	102 N. Railroad Ave Pflugerville, TX 78660
District Business Telephone Number:	(512) 797-6649
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	June 11, 2018
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2018	Expense Reimbursements 9/30/2018	Title at Year End
<u>Board Members:</u>				
John Wilder	Elected 05/2018 - 05/2022	\$ 600	\$ -	President
K.C. Willis	Elected 05/2018 - 05/2022	\$ 1,200	\$ -	Vice-President
Rhiannan Oxos	Elected 05/2016 - 05/2020	\$ 1,050	\$ -	Secretary
James Driscoll	Elected 05/2018 - 05/2022	\$ 1,050	\$ -	Treasurer
Hunter Fendley	Elected 05/2016 - 05/2020	\$ 1,200	\$ -	Director
<u>Consultants:</u>				
Jones - Heroy & Associates, Inc.	2011	\$ 12,600	\$ -	Bond Engineer
Ronald J. Freeman	2016	\$ 23,203	\$ -	Attorney
Maxwell Locke & Ritter LLP	2011	\$ 34,500	\$ -	Auditor
Montoya & Monzingo, LLP	2004	\$ 20,853	\$ -	Bookkeeper
Travis Central Appraisal District	2003	\$ 6,823	\$ -	Appraisal District
Public Finance Group	2014	\$ 102,414	\$ -	Financial Advisor

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

**OTHER
SUPPLEMENTAL INFORMATION**

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

OSI-1 SCHEDULE OF PRINCIPAL TAXPAYERS SEPTEMBER 30, 2018

Taxpayer	Type of Property	Tax Roll Year		
		2018	2017	2016
RSI Communities Texas LLC	Real Land & Improvements	\$ 4,213,072	\$ 928,920	\$ -
HPA Texas Sub 2016-2 LLC	Real Land & Improvements	504,746	478,697	-
AMH 2014-1 Borrower LLC	Real Land & Improvements	496,108	475,904	414,201
BLD VOHL 6A-1LLC	Real Land & Improvements	468,808	-	689,670
Ruano Melissa Christina	Real Land & Improvements	468,155	452,359	390,837
Yadav S.S.	Real Land & Improvements	461,862	433,700	-
Patschke R & J	Real Land & Improvements	456,944	-	-
Myers, T.E.	Real Land & Improvements	453,520	447,203	-
Agrawal R & P	Real Land & Improvements	448,260	-	-
Singh Vikramjit	Real Land & Improvements	446,331	442,072	-
Buffington Texas Classic	Real Land & Improvements	-	534,325	849,779
Luxe Blue LLC	Real Land & Improvements	-	465,000	388,681
Janovec JJ & J	Real Land & Improvements	-	433,666	-
Buffington VOHL 5A 6A 6B, Ltd.	Real Land & Improvements	-	-	676,454
Buffington Texas Classic Homes, L.L.C.	Real Land & Improvements	-	-	672,509
BLD VOHL 6B-2 LLC	Real Land & Improvements	-	-	425,913
Newjon Enterprises Family	Real Land & Improvements	-	-	412,740
Buffington Land LTD	Real Land & Improvements	-	-	400,541
Total		\$ 8,417,806	\$ 5,091,846	\$ 5,321,325
Percent of Assessed Valuation		2.7%	2.0%	2.6%

NORTHEAST TRAVIS COUNTY UTILITY DISTRICT

OSI-2 SCHEDULE OF ASSESSED VALUE BY CLASSIFICATION SEPTEMBER 30, 2018

Type of Property	Tax Roll Year					
	2018		2017		2016	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 302,482,177	96.9%	\$ 288,573,119	98.5%	\$ 262,479,621	98.0%
Vacant Lot	296,645	0.1%	747,552	0.3%	1,852,332	0.7%
Qualified Ag Land	-	0.0%	-	0.0%	-	0.0%
Acreage (Non-Ag)	207,659	0.1%	654,059	0.2%	626,270	0.2%
Commercial Personal Property	444,807	0.1%	259,677	0.1%	144,692	0.1%
Residential Inventory	7,782,191	2.5%	1,785,305	0.6%	1,924,680	0.7%
Exempt Property	850,473	0.3%	826,027	0.3%	819,565	0.3%
Total	<u>\$ 312,063,952</u>	<u>100%</u>	<u>\$ 292,845,739</u>	<u>100%</u>	<u>\$ 267,847,160</u>	<u>100%</u>

APPENDIX B

SCHEDULE OF ACCRETED VALUES

\$7,115,000
NORTHEAST TRAVIS COUNTY UTILITY DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2019

The following schedule is calculated based on yields as of the date of the sale and is included for information purposes only. The accreted value may not reflect market values in the secondary market from time to time if any.

Accreted Value Table
Delivery Date: 09/03/2019

Date	Premium Capital Appreciation Bond	Premium Capital Appreciation Bond
	09/01/2023 1.83%	09/01/2024 1.93%
09/03/2019	1,631.58	1,329.79
03/01/2020	1,874.20	1,516.10
09/01/2020	2,156.20	1,731.05
03/01/2021	2,480.70	1,976.45
09/01/2021	2,853.95	2,256.70
03/01/2022	3,283.45	2,576.65
09/01/2022	3,777.55	2,941.95
03/01/2023	4,346.00	3,359.10
09/01/2023	5,000.00	3,835.35
03/01/2024		4,379.10
09/01/2024		5,000.00

APPENDIX C

FORM OF BOND COUNSEL OPINION

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

**NORTHEAST TRAVIS COUNTY UTILITY DISTRICT
UNLIMITED TAX REFUNDING BONDS, SERIES 2019
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$7,115,000**

AS BOND COUNSEL FOR NORTHEAST TRAVIS COUNTY UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the resolution of the Board of Directors of the District adopted on July 1, 2019 authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized in the resolution (collectively, the "Resolution").

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

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

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



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

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

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

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



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

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

Respectfully,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**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

SPECIAL MEMBER

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)

SPECIMEN