

OFFICIAL STATEMENT DATED APRIL 22, 2020

NEW ISSUE -BOOK-ENTRY-ONLY

RATINGS: AGM Insured S&P “AA” (stable outlook); Moody’s “A2” (stable outlook)  
Moody’s Underlying “Baa3”  
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

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

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

**\$2,395,000**

**Travis County Municipal Utility District No. 14**

(A Political Subdivision of the State of Texas Located in Travis County, Texas)

**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

**Dated: May 20, 2020**

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

The \$2,395,000 Travis County Municipal Utility District No. 14 Unlimited Tax Refunding Bonds, Series 2020 (the “Bonds”) constitute obligations solely of Travis County Municipal Utility District No. 14 (the “District”) and are not obligations of the State of Texas (the “State”); the City of Elgin, Texas; Travis County, Texas; or any entity other than the District. The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000. Interest on the Bonds accrues from the date of delivery, currently anticipated to be May 20, 2020, and is payable September 1, 2020, and each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “BOOK-ENTRY-ONLY-SYSTEM.” The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas.

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** See “BOND INSURANCE.”



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

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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 May 20, 2020.

**Huntington Capital Markets**

**MATURITY SCHEDULE  
(Due September 1)**

CUSIP Prefix: 89439T

<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield<sup>(b)</sup></b>	<b>CUSIP Suffix<sup>(c)</sup></b>	<b>Due</b>	<b>Principal Amount</b>	<b>Interest Rate</b>	<b>Initial Reoffering Yield<sup>(b)</sup></b>	<b>CUSIP Suffix<sup>(c)</sup></b>
***	***	***	***	***	2034 <sup>(a)</sup>	\$ 285,000	3.000%	2.770%	GB0
2031	260,000	2.250%	2.540%	FY1	2035 <sup>(a)</sup>	295,000	3.000%	2.800%	GC8
2032	265,000	2.375%	2.640%	FZ8	2036 <sup>(a)</sup>	300,000	3.000%	2.850%	GD6
2033	280,000	3.000%	2.740%	GA2	2037 <sup>(a)</sup>	310,000	3.000%	2.900%	GE4
\$110,000 4.000% <sup>(a)</sup> Term Bonds Due September 1, 2027* Yield 2.000% <sup>(b)</sup> CUSIP Suffix FW5 <sup>(c)</sup>									
\$290,000 2.250% <sup>(a)</sup> Term Bonds Due September 1, 2030* Yield 2.440% <sup>(b)</sup> CUSIP Suffix FX3 <sup>(c)</sup>									

- (a) Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, the Bonds maturing on and after September 1, 2030, 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. The Bonds maturing September 1, 2027 and September 1, 2030 (collectively, the “Term Bonds”) are also subject to mandatory sinking fund redemption. See “THE BONDS – Redemption.”
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first allowable redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the 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 enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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## USE OF INFORMATION IN OFFICIAL STATEMENT

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 the term is defined in the Rule.

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.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of facts, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

Any reference to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the readers' 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.

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

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

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

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

### **Underwriting**

The Underwriter listed on the cover page of this Official Statement, Huntington Securities, Inc. dba Huntington Capital Markets, has agreed, subject to certain conditions, to purchase the Bonds from the District pursuant to a bond purchase agreement (the "Bond Purchase Agreement") for \$2,386,447.50 (an amount equal to the principal amount of the Bonds, plus an original issue premium of \$13,002.50, less an Underwriter' discount of \$21,555.00).

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 municipal 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.

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. See "INVESTMENT CONSIDERATIONS – Infectious Disease Outlook (COVID-19)." Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See "INVESTMENT CONSIDERATIONS – No Certainty of a Secondary Market."

## **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."

## **MUNICIPAL BOND RATINGS**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") is expected to assign ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "Baa3" to the Bonds.

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

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

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

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

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any

security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

#### *Current Financial Strength Ratings*

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

#### *Capitalization of AGM*

At December 31, 2019:

- The policyholders' surplus of AGM was approximately \$2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately \$986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE were determined in accordance with accounting principles generally accepted in the United States of America.

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

Portions of the following document filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

All consolidated financial statements of AGM and all other information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at <http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

#### *Miscellaneous Matters*

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

## 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, including the Schedules and Appendices attached hereto. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement (including the Schedules and Appendices.)

### THE DISTRICT

The District ..... Travis County Municipal Utility District No. 14 (the "District"), a political subdivision of the State of Texas, was created by order of the Texas Natural Resource Conservation Commission, now known as the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"), effective July 18, 2001 and confirmed pursuant to an election held within the District on November 6, 2001. 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 Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 515.3 acres. See "THE DISTRICT – General."

Location ..... The District, which encompasses approximately 515.29 acres of land, is located in northeast Travis County and lies approximately three miles west of the City of Elgin (the "City" or "Elgin") on both sides of U.S. Highway 290. The Austin central business district is approximately 16 miles to the west/southwest. The District lies primarily within the extraterritorial jurisdiction of the City of Elgin, Texas. See "LOCATION MAP" and "THE DISTRICT - Location."

The Developer and Major Landowner ..... The developer currently active within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar" or the "Developer"), of which U.S. Home Corporation, a Delaware corporation, serves as general partner. See "DEVELOPER."

All of the property within the District was originally owned by Austex Realty, L.L.C., Centex Land, Ltd., Balcones Development, Ltd., and Balcones Homes, Ltd., legal entities for which Novinger Resources Inc. (collectively, the "Novinger Entities") served as the general partner. Centex Homes ("Centex"), a Nevada general partnership whose general managing partner is Centex Real Estate Corp., an indirectly wholly owned subsidiary of Centex Corporation, purchased approximately 236 acres from the Novinger Entities, which contained approximately 156.98 developable acres. Centex developed Elm Creek Sections 1, 2, 3, 4, 5A and 5B (683 single family lots on approximately 144.80 acres), of which build out was completed in 2015. Centex also developed two commercial and public use lots on approximately 4.07 acres; an amenity center and recreational facilities on approximately 6.52 acres, and a lift station and force main on approximately 1.59 acres. Centex and Centex Land, Ltd. are unrelated legal entities. In 2018, Lennar entered into an agreement (the "Lennar Purchase Agreement") with the Novinger Entities to purchase approximately 252 acres within the District. According to the Lennar Purchase Agreement, Lennar agreed to purchase the property in two takedowns. The first takedown, comprised of the first four of ten proposed phases (approximately 76.19 acres), closed on February 28, 2019. The second takedown, comprised of phases five through ten (approximately 175.81 acres), is scheduled to close in June 2021.

Status of Development ..... Of the approximately 515 acres within the District, approximately 408.98 are developable. As of April 1, 2020, approximately 181.25 acres (or 44.32% of the approximately 408.98 total developable acres within the District) have been or are being developed with utility facilities as the single-family residential subdivision Elm Creek Sections 1, 2, 3, 4, 5A, 5B, and Elm Creek North Phase 1, encompassing a total of 786 single-family lots which includes 683 completed homes and 103 lots under development. Construction of the utility facilities to serve Elm Creek North Phase 1 (approximately 24.27 acres; platted as 103 single-family lots) began in August 2019 and is expected to be completed in May 2020. The District also includes two commercial and public use lots on approximately 4.07 acres; an amenity center and recreational facilities on approximately 6.52 acres, and District facility sites on approximately 1.59 acres. Recreational amenities within the District include an amenity center, which includes a swimming pool, 700 square-foot pool house, basketball court, pavilion, soccer field, and a playscape, as well as a 2-acre pond park and a 0.52 acre playscape park. See "THE DISTRICT – Historical and Current Status of Development."

**THE BONDS**

Description.....	The Bonds in the aggregate principal amount of \$2,395,000 mature as Term Bonds which mature September 1, 2027 and September 1, 2030, and serially in varying amounts on September 1 of each of the years 2031 through 2037, inclusive, as set forth on the inside cover page hereof. Interest accrues from the date of delivery, currently anticipated to be May 20, 2020 at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2020 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS - General Description."
Redemption.....	Bonds maturing on and after September 1, 2030 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. The Term Bonds maturing September 1, 2027 and September 1, 2030 are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."
Source of Payment.....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad-valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See "TAXING PROCEDURES." <b>The Bonds are obligations solely of the District and are not obligations of the City of Elgin, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.</b> See "THE BONDS - Source of and Security for Payment."
Payment Record.....	The District has never defaulted in the timely payment of principal of or interest on its outstanding obligations. See "FINANCIAL STATEMENT - Outstanding Bonds – Table 6."
Authority for Issuance.....	The Bonds are being issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State; including Chapter 1207 of the Texas Government Code, as amended; and Chapters 49 and 54 of the Texas Water Code, as amended; an order adopted by the Board of Directors of the District and a pricing certificate to be executed by the pricing officer on the date of sale of the Bonds as authorized in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"). See "THE BONDS – Authority for Issuance."
Use of Proceeds.....	Proceeds from the sale of the Bonds will be used to (i) establish an escrow fund to currently refund a portion of the District's Unlimited Tax Refunding Bonds, Series 2012A, to achieve a debt service savings, 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 6, 2001, the voters within the District authorized a total of \$24,685,000 in new money bonds for water, wastewater, and drainage facilities, of which \$14,500,000 remains unissued. Additionally, the District has voted authority to issue refunding bonds pursuant to the election proposition in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued. The District is therefore authorized to issue \$37,027,500 aggregate principal amount of refunding bonds. The District has previously issued three series of refunding bonds, which used \$1,080,312.55 in refunding authorization, and the issuance of the Bonds uses an additional \$160,000 of the District's voted authorization of refunding bonds. After the issuance of the Bonds, the District will have used a total of \$1,240,312.55 of the District's voted authorization of refunding bonds, and \$35,787,187.45 of voted authorization of refunding bonds will remain unissued. See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6" and "THE BONDS – Issuance of Additional Debt."
Municipal Bond Ratings and Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and Moody's Investors Service, Inc. ("Moody's") are expected to assign ratings of "AA" (stable outlook) and "A2" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "Baa3" to the Bonds.
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."
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 2020 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

Bond Counsel..... McCall, Parkhurst & Horton L.L.P., Austin, Texas.  
General Counsel..... Armbrust & Brown PLLC, Austin, Texas.  
Financial Advisor..... Public Finance Group LLC, Austin, Texas.  
Underwriter’s Counsel ..... Hunton Andrews Kurth LLP, Houston, Texas.  
Verification Agent..... Public Finance Partners, LLC, Minneapolis, Minnesota.  
Paying Agent/Registrar ..... UMB Bank, N.A., Austin, Texas  
and Escrow Agent

**INVESTMENT CONSIDERATION**

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

**SELECTED FINANCIAL INFORMATION**  
(Unaudited)

2019 Certified Assessed Valuation	\$	121,842,614	(a)
2020 Preliminary Assessed Valuation	\$	126,123,090	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$	9,090,000	(c)
Ratio of Gross Debt to 2019 Certified Assessed Valuation		7.46%	
Ratio of Gross Debt to 2020 Preliminary Assessed Valuation		7.21%	
2019 Tax Rate			
Debt Service	\$	0.5030	
Maintenance		<u>0.3070</u>	
<b>Total 2019 Tax Rate</b>	<b>\$</b>	<b><u>0.8100</u></b>	<b>(d)</b>
Debt Service Fund Balance (as of April 22, 2020)	\$	1,204,599	(e)
Percentage of current tax collections - Tax Year 2019		94.64%	(f)
Percentage of total tax collections - Tax Years (2003-2019)		99.60%	(f)
Average Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Average Requirement") (2020-2034, inclusive)	\$	630,609	
Tax Rate required to pay Average Requirement based upon 2019 Certified Assessed Valuation at 95% collections	\$	0.55	/\$100 AV
Tax Rate required to pay Average Requirement based upon 2020 Preliminary Assessed Valuation at 95% collections	\$	0.53	/\$100 AV
Maximum Annual Debt Service Requirement of the Remaining Outstanding Bonds ("Maximum Requirement") (2029)	\$	767,581	
Tax Rate required to pay Maximum Requirement based upon 2019 Certified Assessed Valuation at 95% collections	\$	0.67	/\$100 AV
Tax Rate required to pay Maximum Requirement based upon 2020 Preliminary Assessed Valuation at 95% collections	\$	0.65	/\$100 AV
Number of connections as of April 1, 2020			
Single Family - occupied		677	
Single Family - unoccupied		6	
Non-Profit / Temporary		2	
Homeowner's Association		<u>8</u>	
<b>Total Number of Connections</b>		<b>693</b>	
Estimated Population as of April 1, 2020		2,370	(g)

- (a) Assessed valuation of the District as of January 1, 2019, as certified by the Travis Central Appraisal District ("TCAD"). See "TAXING PROCEDURES."
- (b) Preliminary assessed valuation of the District as of January 1, 2020, as provided by TCAD. No taxes will be levied on such assessed valuation unless it is certified by TCAD. See "TAXING PROCEDURES."
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District adopted the 2019 tax rate at its meeting in September 2019.
- (e) Unaudited as of April 22, 2020. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) See "TAX DATA – Tax Collections – Table 10."
- (g) Based upon 3.5 residents per occupied single family home.

**OFFICIAL STATEMENT**  
relating to

**\$2,395,000**

**Travis County Municipal Utility District No. 14**  
(A Political Subdivision of the State of Texas Located in Travis County, Texas)

**UNLIMITED TAX REFUNDING BONDS, SERIES 2020**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Travis County Municipal Utility District No. 14 (the "District"), a political subdivision of the State of Texas (the "State"), of its \$2,395,000 Unlimited Tax Refunding Bonds, Series 2020 (the "Bonds").

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on February 26, 2020, a pricing certificate executed by the pricing officer as designated in the order (the order and the pricing certificate are collectively referred to herein as the "Bond Order"), the bond election held within the District on November 6, 2001, Article XVI, Section 59 of the Texas Constitution and general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 1207 of the Texas Government Code, as amended.

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

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

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

**PLAN OF FINANCING**

**Purpose**

The Bonds are being issued to achieve a debt service savings in the years 2020 through 2037, inclusive, by currently refunding approximately \$2,235,000 of the District's Unlimited Tax Refunding Bonds, Series 2012A (the "Refunded Bonds"), and to pay the costs of issuing the Bonds. See "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3."

**The Refunded Bonds**

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

<b>Year</b>	<b>Series 2012A<sup>(a)</sup></b>	
2030	\$	245,000 <sup>(b)</sup>
2031		250,000 <sup>(b)</sup>
2032		260,000 <sup>(c)</sup>
2033		275,000 <sup>(c)</sup>
2034		285,000 <sup>(c)</sup>
2035		295,000 <sup>(d)</sup>
2036		305,000 <sup>(d)</sup>
2037		320,000 <sup>(d)</sup>
	<b>\$</b>	<b>2,235,000</b>
Redemption Date:		6/24/2020

*(Footnotes appear on following page)*

- (a) The Series 2012A Bonds will have no other maturities outstanding after being defeased and redeemed with the proceeds of the Bonds.
- (b) Term Bond in total par amount of \$495,000, to mature on September 1, 2031.
- (c) Term Bond in total par amount of \$820,000, to mature on September 1, 2034.
- (d) Term Bond in total par amount of \$920,000, to mature on September 1, 2037.

At an election held within the District on November 6, 2001, the voters within the District authorized a total of \$24,685,000 in new money bonds for water, wastewater, and drainage facilities, of which \$14,500,000 remains unissued. Additionally, the District has voted authority to issue refunding bonds pursuant to the election proposition in an aggregate principal amount not to exceed one and one-half times the amount of bonds or other obligations issued. The District is therefore authorized to issue \$37,027,500 aggregate principal amount of refunding bonds. The District has previously issued three series of refunding bonds, which used \$1,080,312.55 in refunding authorization, and the issuance of the Bonds uses an additional \$160,000 of the District’s voted authorization of refunding bonds. After the issuance of the Bonds, the District will have used a total of \$1,240,312.55 of the District’s voted authorization of refunding bonds, and \$35,787,187.45 of voted authorization of refunding bonds will remain unissued. See “FINANCIAL STATEMENT – Outstanding Bonds – Table 6” and “THE BONDS – Issuance of Additional Debt.”

**The Remaining Outstanding Bonds**

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

<b>Year</b>	<b>Series 2012</b>	<b>Series 2016</b>	<b>Series 2019</b>	<b>The Bonds</b>	<b>Total</b>
2020	\$ 215,000	\$ 5,000	\$ 5,000	\$ 20,000	\$ 245,000
2021	215,000	5,000	5,000	10,000	235,000
2022	230,000	5,000	5,000	10,000	250,000
2023	-	5,000	235,000	10,000	250,000
2024	-	5,000	245,000	15,000	265,000
2025	-	5,000	260,000	15,000	280,000
2026	-	5,000	475,000	15,000	495,000
2027	-	5,000	500,000	15,000	520,000
2028	-	5,000	520,000	15,000	540,000
2029	-	5,000	555,000	15,000	575,000
2030	-	5,000	320,000	260,000	585,000
2031	-	5,000	175,000	260,000	440,000
2032	-	5,000	190,000	265,000	460,000
2033	-	5,000	205,000	280,000	490,000
2034	-	5,000	220,000	285,000	510,000
2035	-	100,000	-	295,000	395,000
2036	-	100,000	-	300,000	400,000
2037	-	100,000	-	310,000	410,000
2038	-	420,000	-	-	420,000
2039	-	425,000	-	-	425,000
2040	-	450,000	-	-	450,000
2041	-	450,000	-	-	450,000
	<b>\$ 660,000</b>	<b>\$ 2,120,000</b>	<b>\$3,915,000</b>	<b>\$2,395,000</b>	<b>\$ 9,090,000</b>

## 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 and direct obligations of the United States of America (the “Escrowed Securities”) to be deposited pursuant to a certain Escrow Agreement (the “Escrow Agreement”) between the District and UMB Bank, N.A., Austin, Texas (the “Escrow Agent”). The Bond Order provides that from the proceeds of the sale of the Bonds received from the Underwriter the District will deposit with the Escrow Agent cash and direct obligations of the United States in amounts sufficient to accomplish the discharge and final payment of the Refunded Bonds on their redemption date.

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

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

## Sources and Uses of Funds

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

Sources of Funds:	
Par Amount of Bonds	\$2,395,000.00
Original Issue Premium	<u>13,002.50</u>
Total Sources of Funds	\$2,408,002.50
Uses of Funds:	
Escrow Deposit	\$2,263,292.42
Costs of Issuance <sup>(a)</sup>	121,121.54
Underwriter’s Discount	21,555.00
Deposit to Debt Service Fund (Rounding Amount)	<u>2,033.54</u>
Total Uses of Funds	\$2,408,002.50

(a) Includes municipal bond insurance premium.

## THE BONDS

### General Description

The Bonds will bear interest from the date of delivery, currently anticipated to be May 20, 2020 and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2020 and each March 1 and September 1 thereafter until maturity and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only utilizing DTC’s book-entry-only system (the “Book-Entry-Only System”). So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent”).

### Redemption

**Optional Redemption** . . . The Bonds maturing on and after September 1, 2030, 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.

**Mandatory Sinking Fund Redemption** . . . In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2027 and September 1, 2030 (collectively, the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

<b>\$110,000 Term Bond Maturing September 1, 2027</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2020	\$ 20,000
2021	10,000
2022	10,000
2023	10,000
2024	15,000
2025	15,000
2026	15,000
2027*	15,000

<b>\$290,000 Term Bond Maturing September 1, 2030</b>	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2028	\$ 15,000
2029	15,000
2030*	260,000

\*Stated Maturity.

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

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

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

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

### **Selection of Bonds for Redemption**

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

### **DTC Redemption Provision**

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial

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

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

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

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

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

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

### **Replacement Bonds**

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

### **Authority for Issuance**

The Bonds are issued pursuant to the terms and provisions of the Bond Order; the bond election held within the District on November 6, 2001; 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 Order that, while 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 all

taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if the City annexes and dissolves the District and assumes all debts and liabilities of the District.

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

### **Payment Record**

The District has previously issued four series of new money bonds and three series of refunding bonds, consisting of: \$2,000,000 Unlimited Tax Bonds, Series 2005; \$3,250,000 Unlimited Tax Bonds, Series 2008; \$2,800,000 Unlimited Tax Bonds, Series 2009; \$4,705,000 Unlimited Tax Refunding Bonds, Series 2012, \$3,120,000 Unlimited Tax Refunding Bonds, Series 2012A; \$2,135,000 Unlimited Tax Bonds, Series 2016 ; and \$3,920,000 Unlimited Tax Refunding Bonds, Series 2019 (collectively, the "Previously Issued Bonds"). The District has not defaulted in the payment of the principal of or interest on the Previously Issued Bonds.

### **Flow of Funds**

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

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

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

### **Defeasance of Outstanding Bonds**

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

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

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

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

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

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

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

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

### **Paying Agent/Registrar**

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

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

### **Record Date**

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

### **Issuance of Additional Debt**

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ, if applicable, and, in the case of bonds payable from taxes, the District's voters. At an election held within the District on November 6, 2001, the voters within the District authorized a total of \$24,685,000 in new money bonds for water, wastewater, and drainage facilities and refunding bonds in an amount not to exceed one and one-half times the amount of bonds or other obligations issued assuming that the total amount of bonds authorized by the voters will be issued. To date, the District has issued four installments of new money bonds to acquire utility facilities in the aggregate principal amount of \$10,185,000, leaving \$14,500,000 in authorized but unissued new money bonds to acquire utility facilities.

The issuance of the Bonds uses \$160,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$1,240,312.55 of the District's voted authorization for refunding purposes, and will have \$35,787,187.45 of voted refunding authorization remaining unissued. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5" and "THE BONDS."

Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code authorize certain districts, such as the District, to issue bonds, subject to voter approval and, if applicable, the approval of the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities and for the construction of roads. Voters within the District have not approved the issuance of such bonds.

The District is also authorized to establish, operate, and maintain a fire department or contract with a fire department for fire protection services. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional indebtedness that may be issued by the District. Any additional ad valorem tax indebtedness issued by the District may dilute the security of the Bonds. See "INVESTMENT CONSIDERATIONS."

### **Legal Investment and Eligibility to Secure Public Funds in Texas**

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

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

### **Specific Tax Covenants**

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

### **Additional Covenants**

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

### **Remedies in Event of Default**

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

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

### **Consolidation**

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

### **Annexation**

The District lies primarily within the extraterritorial jurisdiction of the City. 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 April 1, 2020, the District had an estimated population of 2,370, 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.

### **Alteration of Boundaries**

In certain circumstances under State law, the District may alter its boundaries to, upon satisfying certain conditions, 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.

## Amendments to the Bond Order

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

## BOOK-ENTRY-ONLY SYSTEM

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

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

DTC 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 rating of AA+ from S&P Global Rating. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

### **Infectious Disease Outlook (COVID-19)**

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic") which is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States in connection with COVID-19. On March 13, 2020, the President of the United States declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations").

Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance of Executive Order GA-16 on April 17, 2020, which, among other things, requires Texans to minimize in-person contact with people who are not in the same household unless such people are involved in essential services or essential daily activities and closes schools to in-person classroom attendance by students throughout the 2019-2020 school year, unless such order is otherwise extended, modified, rescinded, or

superseded by the Governor. Furthermore, the Governor has suspended various statutes of the Texas Open Meetings Act that require government officials and members of the public to be physically present at a specified meeting location. This temporary suspension will allow for telephonic or videoconference meetings of governmental bodies that are accessible to the public in an effort to reduce in-person meetings that assemble large groups of people. In addition, Travis County, within which the District is located, has issued “stay home” orders for most citizens except when engaged in specific essential business functions. Travis County’s “stay home” order does not prohibit homebuilding activity or the construction of utility facilities within the District. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which affects economic growth within Texas.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. These negative impacts may reduce or negatively affect property values or homebuilding activity within the District. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District’s share of operations and maintenance expenses payable from ad valorem taxes.

The District continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of COVID-19 upon the District. While the potential impact of COVID-19 on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District’s operations and financial condition. For more information regarding the District’s current fund balances, see “FINANCIAL STATEMENT – Cash and Investment Balances – Table 7” and “– Current Investments – Table 8.”

### **No Certainty of a Secondary Market**

Subject to prevailing market conditions, the Underwriter intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted by events including, but not limited to, the current pandemic associated with the COVID-19 virus. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

### **Factors Affecting Taxable Values and Tax Payments**

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

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

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

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

*Developer under No Obligation to the District:* There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See “THE DEVELOPER” and “TAX DATA - Principal Taxpayers – Table 12.”

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2019 Certified Assessed Valuation of the District is \$121,842,614. After issuance of the Bonds, the Maximum Requirement will be \$767,581 (2029) and the Average Requirement will be \$630,609 (2020 through 2034, inclusive). Assuming (1) no increase or decrease from the 2019 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 \$0.67 and \$0.55 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's 2020 Preliminary Assessed Valuation is \$126,123,090. Based upon the assumptions above, tax rates of \$0.65 and \$0.53 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively See "DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

### **Remaining Undeveloped Property**

There is no commitment from, or obligation of, Novinger Entities, Lennar, or any future developer or landowner to develop the remaining undeveloped land, and there is no restriction on a landowner's right to sell its land. Failure to construct taxable improvements on developed land and failure of a landowner to develop its land may restrict the rate of growth of taxable value in the District. The District is also dependent upon the taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the taxpayer will be or what effect, if any, such financial conditions may have on the taxpayers' ability to pay taxes. See "THE DISTRICT – Historical and Current Status of Development" and "TAX DATA - Principal Taxpayers – Table 12."

### **Tax Collections and Foreclosure Remedies**

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

### **Registered Owners' Remedies**

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

### **Bankruptcy Limitation to Registered Owners' Rights**

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

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

### **Marketability**

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

### **Continuing Compliance with Certain Covenants**

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

### **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.

## **Bond Insurance Risks**

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

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

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

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

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

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

Neither the District nor the 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 "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.

## **Future Debt**

The District has reserved the right in the Bond Order to issue the remaining \$14,500,000 authorized but unissued new money 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 \$14,500,000 new money 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. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. See "THE SYSTEM."

The District has voted authority to issue refunding bonds pursuant to the election proposition in an amount not to exceed one and one-half times the amount of bonds or other obligations issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$37,027,500. The issuance of the Bonds uses \$160,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$1,240,312.55 of the District's voted authorization for refunding purposes, and will have \$35,787,187.45 of refunding voted authorization remaining unissued.

## **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.

## **Future and Proposed Legislation**

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such

proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

## **Environmental Regulation**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 23, 2020, the EPA and USACE finalized a replacement definition of “waters of the United States.” The proposed definition outlines six (6) categories of waters that would be considered “waters of the United States,” including traditional navigable waters, tributaries to those waters, certain ditches, certain lakes and ponds, impoundments of jurisdictional waters, and wetlands adjacent to jurisdictional waters. The proposed rule also details what are not “waters of the United States,” such as features that only contain water during or in response to rainfall (e.g., ephemeral features); groundwater; many ditches, including most roadside or farm ditches; prior converted cropland; stormwater control features; and waste treatment systems. The rule will become effective 60 days after publication in the Federal Register, which has not yet occurred.

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. If and when it does, the District may be required to develop and implement a stormwater pollution prevention plan and a stormwater management plan. 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**

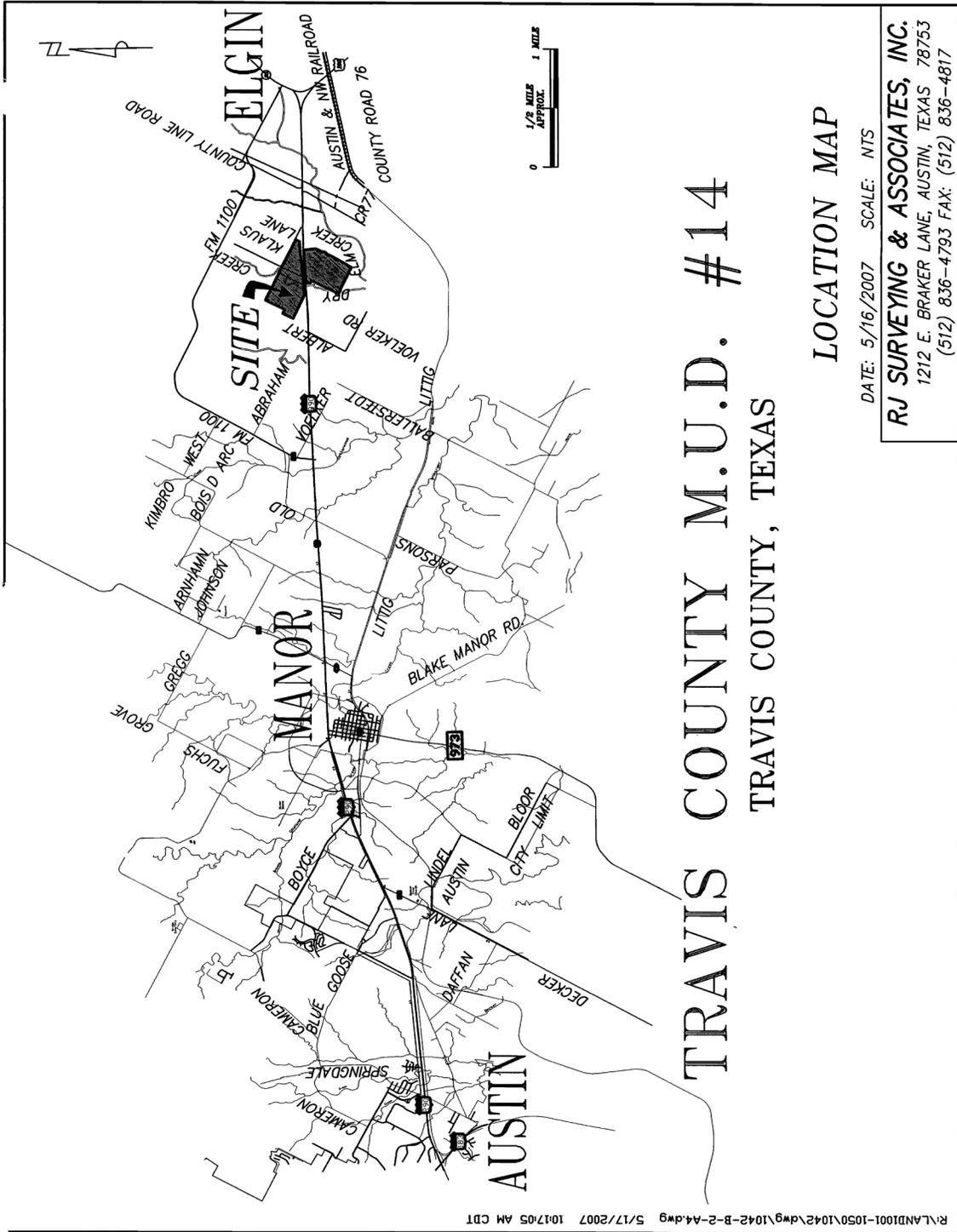
Central Texas, like other areas of the State, is experiencing drought conditions. Aqua Water Supply Corporation provides water to the District in amounts sufficient to service the residents of the District; however, if the District drought conditions continue, water usage and rates could be impacted.

### **Storm Water**

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

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LOCATION MAP



TRAVIS COUNTY M.U.D. #14  
TRAVIS COUNTY, TEXAS

LOCATION MAP

DATE: 5/16/2007 SCALE: NTS  
RJ SURVEYING & ASSOCIATES, INC.  
1212 E. BRAKER LANE, AUSTIN, TEXAS 78753  
(512) 836-4793 FAX: (512) 836-4817

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## THE DISTRICT

### General

The District was created by order of the TCEQ, effective July 18, 2001 and confirmed pursuant to an election held within the District on November 6, 2001, and operates under Chapters 49 and 54, Texas Water Code, as amended.

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. The District has entered into a Utility Construction Agreement with the Novinger Entities in order to facilitate the construction of water, wastewater, and drainage facilities to serve property within the District. The Novinger Entities subsequently assigned certain reimbursement and development rights under such Utility Construction Agreement to Centex. The District has also entered into a Utility Construction Agreement with Lennar for the portion of the District north of Highway 290 owned by Lennar.

At the time of creation, the District contained approximately 515.3 acres of land. Since the creation of the District, there have been no annexations or exclusions of land.

### Management of the District

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 November in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Harold D. Baughman	President	2022	12 ½ Years
Karan K. Bayes	Vice-President	2020	4 ½ Years
Merle L. Miller	Secretary	2022	19 ½ Years
William J. Martin	Treasurer	2022	4 ½ Years
John F. Bellanca	Assistant Secretary/Treasurer	2020	3 ½ Years

### Consultants

#### *Tax Assessor/Collector*

Land and improvements in the District are being appraised by the Travis Central Appraisal District ("TCAD"). 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.

#### *General Manager*

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

#### *Bookkeeper*

Bott & Douthitt, PLLC, certified public accountants, serves as bookkeeper to the District. Such firm serves as bookkeeper to 90 special districts.

#### *Engineer*

The District's consulting engineer is Jones-Heroy & Associates, Inc. (the "Engineer"). Such firm serves as consulting engineer to 40 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 ("Bond Counsel") in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale of and delivery of the Bonds.

### *General Counsel*

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

### **Location**

The District is located in northeast Travis County, lies approximately three miles west of the City, and is bisected by U.S. Highway 290. The Austin central business district is approximately 16 miles to the west/southwest. The District is located primarily within the extraterritorial jurisdiction of the City.

### **Historical and Current Status of Development**

All of the property within the District was originally owned by Austex Realty, L.L.C., Centex Land, Ltd., Balcones Development, Ltd., and Balcones Homes, Ltd., legal entities for which Novinger Resources Inc. (collectively, the "Novinger Entities") served as the general partner.

On April 5, 2002, Centex Homes ("Centex"), a Nevada general partnership whose general managing partner is Centex Real Estate Corp., an indirectly wholly owned subsidiary of Centex Corporation, entered into an agreement (the "Centex Purchase Agreement") with the Novinger Entities to purchase approximately 487 acres within the District. According to the Centex Purchase Agreement, Centex Homes agreed to purchase the property in five phases over a period of seven years from the date of the initial purchase of property within the District. Centex and Centex Land, Ltd. are unrelated legal entities. According to Centex, the initial purchase of property was closed in December 2002 and included Phase 1 encompassing approximately 125 acres within the District. Subsequently in July 2004, Centex closed on Phase 2 consisting of approximately 111 acres, resulting in a combined total of 236 acres purchased, which included approximately 156.98 developable acres. Centex developed Elm Creek Sections 1, 2, 3, 4, 5A and 5B (683 single family lots on approximately 144.80 acres), of which build out was completed in 2015. Centex also developed two commercial and public use lots on approximately 4.07 acres; an amenity center and recreations facilities on approximately 6.52 acres, and a lift station and force main on approximately 1.59 acres. Centex terminated its contract option to purchase the remaining three phases, representing approximately 252 acres, out of the 487 acres originally contracted, which remained owned by the Novinger Entities.

In 2018, Lennar entered into an agreement (the "Lennar Purchase Agreement") with the Novinger Entities to purchase approximately 252 acres within the District. According to the Lennar Purchase Agreement, Lennar agreed to purchase the property in two takedowns. The first takedown, comprised of the first four of ten proposed phases (approximately 76.19 acres), closed on February 28, 2019. The second takedown, comprised of phases five through ten (approximately 175.81 acres), is scheduled to close in June 2021.

As of April 1, 2020, approximately 181.25 acres have been or are being developed with utility facilities as the single-family residential subdivision Elm Creek Sections 1, 2, 3, 4, 5A, 5B, and Elm Creek North Phase 1, encompassing a total of 786 single-family lots which includes 683 completed homes and 103 lots under development. Construction of the utility facilities to serve Elm Creek North Phase 1 (approximately 24.27 acres; platted as 103 single-family lots) began in August 2019 and is expected to be completed in May 2020. Recreational amenities within the District include an amenity center, which includes a swimming pool, 700 square-foot pool house, basketball court, pavilion, soccer field, and a playscape, as well as a 2-acre pond park and a 0.52 acre playscape park.

The chart on the following page reflects the status of development as of April 1, 2020.

*(The chart appears on the following page)*

	Net Acreage	Platted Lots	Single-Family Homes		Vacant Developed Lots
			Completed	Under Construction	
<b>A. Developed with Utility Facilities</b>					
Elm Creek Section 1	51.60	223	223	-	-
Elm Creek Section 2	31.60	174	174	-	-
Elm Creek Section 3	7.15	28	28	-	-
Elm Creek Section 4	19.00	77	77	-	-
Elm Creek Section 5A	13.68	80	80	-	-
Elm Creek Section 5B	<u>21.77</u>	<u>101</u>	<u>101</u>	-	-
Total Developed with Utilities	144.80	683	683	-	-
<b>B. Utility Facilities Under Construction</b>					
Elm Creek North Phase 1	<u>24.27</u>	<u>103</u>			
Total Utilities Under Construction	24.27	103			
<b>C. Other Developed</b>					
Park/Amenity Center	6.52				
Commercial/Public Use Lots	4.07				
District Facility Sites	<u>1.59</u>				
Total Other Developed	12.18				
<b>D. Total Developed/Under Construction</b>	<b>181.24</b>				
<b>E. Remaining Developable Acreage</b>	<b>227.73</b>				
<b>F. Undevelopable Acreage</b>	<b><u>106.31</u></b>				
<b>Total District Acreage</b>	<b>515.29</b>				

### Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect any party's ability to sell lots and/or other property and of any home builder 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 District's water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future issues, if any, of the District's bonds and developer contributions, if any, as required by the TCEQ. A developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in their sole discretion. Accordingly, the District makes no representation that future development will occur.

### THE DEVELOPER

#### General

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

## **Description of Developer and Major Landowner**

The developer currently active within the District is Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership (“Lennar” or the “Developer”), of which U.S. Home Corporation, a Delaware corporation, serves as general partner.

All of the property within the District was originally owned by Austex Realty, L.L.C., Centex Land, Ltd., Balcones Development, Ltd., and Balcones Homes, Ltd., legal entities for which Novinger Resources Inc. (collectively, the “Novinger Entities”) served as the general partner. Centex Homes (“Centex”), a Nevada general partnership whose general managing partner is Centex Real Estate Corp., an indirectly wholly owned subsidiary of Centex Corporation, purchased approximately 236 acres from the Novinger Entities, which contained approximately 156.98 developable acres. Centex developed Elm Creek Sections 1, 2, 3, 4, 5A and 5B (683 single family lots on approximately 144.80 acres), of which build out was completed in 2015. Centex also developed two commercial and public use lots on approximately 4.07 acres; an amenity center and recreations facilities on approximately 6.52 acres, and a lift station and force main on approximately 1.59 acres. Centex and Centex Land, Ltd. are unrelated legal entities. In 2018, Lennar entered into an agreement (the “Lennar Purchase Agreement”) with the Novinger Entities to purchase approximately 252 acres within the District. According to the Lennar Purchase Agreement, Lennar agreed to purchase the property in two takedowns. The first takedown, comprised of the first four of ten proposed phases (approximately 76.19 acres), closed on February 28, 2019. The second takedown, comprised of phases five through ten (approximately 175.81 acres), is scheduled to close in June 2021.

## **Utility Construction Agreement**

The District has entered into a Utility Construction Agreement with the Novinger Entities covering all of the land within the District. Such agreement governs the development of water, wastewater, and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District. The Novinger Entities have assigned certain reimbursement and development rights under such Utility Construction Agreement to Centex. The District has also entered into a Utility Construction Agreement with Lennar for the portion of the District north of Highway 290 owned by Lennar.

## **Agricultural Waiver**

The remaining 175.81 acres of undeveloped land within the District owned by the Novinger Entities is currently subject to an open space exemption. See “TAXING PROCEDURES – Property Subject to Taxation by the District.”

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## THE SYSTEM

### Regulation

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

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

### Water Supply and Distribution

The District receives wholesale water supply from Aqua Water Supply Corporation ("AWSC"). AWSC receives all of its water supply from groundwater. On September 6, 2001, the District ratified and accepted a wholesale agreement for water service between Novinger Resources, Inc. and AWSC entitled "Agreement to Construct Water Transmission Facilities and Large Volume Service Agreement" ("AWSC Agreement"). The AWSC Agreement states that AWSC will provide wholesale water to meet the needs of the area currently included in the boundaries of the District, not to exceed 1,470 gallons per minute. Potable water is transported by AWSC to the District's northern boundary, is stored in the District's 140,000 gallon ground storage tank and its 14,000 gallon pneumatic tank, and is distributed via internal distribution lines. Elm Creek pump station upgrades are currently under construction and include a 225,000 ground storage tank, 15,000 gallon pressure tank, and four 1,100 gallon booster pumps, construction of which are expected to be completed by May 2020.

### Wastewater Collection and Treatment

Wastewater treatment for the District is provided by the City through an existing wastewater treatment plant (the "Elgin Plant") pursuant to a "Wastewater Agreement" (the "Wastewater Agreement") between the City and the District effective April 25, 2011. Pursuant to the Wastewater Agreement, the City has agreed to provide wastewater service sufficient to serve a total of 1,300 living unit equivalents ("LUEs") located within the boundaries of the District until December 27, 2040. According to the City, the Elgin Plant has a treatment capacity from 950,000 gallons-per-day, which is sufficient capacity to serve City's existing and the District's existing connections. Additionally, the Elgin Plant is currently undergoing an expansion that will increase the Elgin's plant treatment capacity from 950,000 gallons-per-day to 2,000,000 gallons-per-day. The City has also represented that any future expansions of the Elgin Plant will occur in accordance with the rules of the TCEQ as development demands require.

### Drainage System

The storm drainage system that serves the District consists of curb and guttered streets and storm sewers. The collected storm water runoff is routed through a system of underground storm sewer lines, which outfall into Elm Creek, thence into Wilbarger Creek and ultimately to the Colorado River.

### 100-Year Flood Plain

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

According to the District's Engineer, approximately 106 acres within the District are currently located in the 100-year floodplain as shown in the Federal Emergency Management Agency Flood Insurance Rate Map No. 48453C0015E for Travis County, Texas, dated June 16, 1993. No lots are developed nor are any expected to be developed on the 106 acres that are located within the boundary of the 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"). The study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities in the Central Texas area are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

**Water and Wastewater Operations**

***Rate and Fee Schedule - Table 1***

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the monthly rates and fees for the District's water and sewer service which have been in effect since July 24, 2019.

*Residential*

Water Usage Charge per Fee Unit.....	\$ 35.00*
Wastewater Charge per Fee Unit.....	38.00
Water Gallonage Charge.....	5.25 per 1,000 gallons

\*Includes 2,000 gallons of usage and once a week solid waste collection.

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## Operating Revenues and Expenses Statement - Table 2

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

	Fiscal Year End					
	2/29/2020 <sup>(a)</sup>	9/30/2019 <sup>(b)</sup>	9/30/2018 <sup>(b)</sup>	9/30/2017 <sup>(b)</sup>	9/30/2016 <sup>(b)</sup>	9/30/2015 <sup>(b)</sup>
<b>REVENUES</b>						
Property taxes, including penalties	\$ 354,488	\$ 322,578	\$ 270,720	\$ 202,755	\$ 198,676	\$ 135,597
Service Revenues, including penalties	316,850	815,946	966,344	928,995	917,862	916,687
Interest and Other	20,221	35,409	23,001	8,748	3,844	2,867
<b>TOTAL REVENUES</b>	<b>\$ 691,559</b>	<b>\$ 1,173,933</b>	<b>\$ 1,260,065</b>	<b>\$ 1,140,498</b>	<b>\$ 1,120,382</b>	<b>\$ 1,055,151</b>
<b>EXPENDITURES</b>						
Water/wastewater purchases	\$ 261,798	\$ 641,538	\$ 646,337	\$ 605,428	\$ 593,162	\$ 584,823
Garbage collection fee	49,835	119,218	115,080	112,337	109,391	107,099
Repairs/maintenance	28,426	238,105 <sup>(c)</sup>	70,189	82,866	41,903	85,013
Operations/management fee	36,774	78,215	67,275	68,206	67,290	69,112
Utilities/telephone	5,310	11,936	13,088	14,142	12,788	14,757
Easement mowing	2,625	8,750	8,750	8,750	8,750	7,875
Security lights	5,127	8,708	13,428	13,291	13,404	13,548
Director fees, including payroll fees	2,422	7,266	8,235	7,428	6,782	6,620
Legal fees	19,790	86,759	57,001	45,603	45,373	45,969
Engineering fees	9,993	9,512	3,246	2,245	3,227	-
Accounting fees	10,050	23,700	23,700	23,350	23,350	23,700
Audit fees	13,000	12,500	12,500	12,000	12,000	11,500
Other consulting fees	948	724	8,206	570	611	455
Insurance	4,062	6,233	5,838	5,412	5,284	5,070
Tax appraisal/collection	912	1,618	1,624	1,260	1,303	945
Other	1,722	7,830	11,797	8,653	6,531	6,942
Capital Outlay	-	-	-	-	-	22,396
<b>TOTAL EXPENDITURES</b>	<b>\$ 452,795</b>	<b>\$ 1,262,612</b>	<b>\$ 1,066,294</b>	<b>\$ 1,011,541</b>	<b>\$ 951,149</b>	<b>\$ 1,005,825</b>
<b>TOTAL REVENUE OVER/UNDER EXPENDITURES</b>	<b>\$ 238,764</b>	<b>\$ (88,679)</b>	<b>\$ 193,771</b>	<b>\$ 128,957</b>	<b>\$ 169,233</b>	<b>\$ 49,326</b>
<b>Beginning Fund Balance</b>	<b>\$ 1,506,886</b>	<b>\$ 1,595,565</b>	<b>\$ 1,401,794</b>	<b>\$ 1,272,837</b>	<b>\$ 1,103,604</b>	<b>\$ 1,054,171</b>
<b>Plus / (Less): Fund Transfer</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>107</b>
<b>Ending Fund Balance</b>	<b>\$ 1,745,650</b>	<b>\$ 1,506,886</b>	<b>\$ 1,595,565</b>	<b>\$ 1,401,794</b>	<b>\$ 1,272,837</b>	<b>\$ 1,103,604</b>

(a) Unaudited. Partial year. Represents five months of the District's current fiscal year.

(b) Audited.

(c) During FYE 2019, the District completed the following repairs & maintenance projects: lift station repairs and man-hole replacements.

**DEBT SERVICE REQUIREMENTS SCHEDULE – TABLE 3**

**Travis County Municipal Utility District No. 14**

**\$2,395,000**

**Unlimited Tax Refunding Bonds, Series 2020**

**Dated Date: May 20, 2020**

**First Interest Payment Due: September 1, 2020**

Year Ending 31-Dec	Current Debt Service Requirement	Less Refunded Debt Service	The Bonds				Principal and Interest	Total Debt Service Requirements
			Principal (Due 9/01)	Interest		Total		
				(Due 3/01)	(Due 9/01)			
2020	\$ 559,425	\$ 45,275	\$ 20,000	\$ -	\$ 18,845	\$ 18,845	\$ 38,845	\$ 552,995
2021	552,188	90,550	10,000	33,184	33,184	66,369	76,369	538,006
2022	559,413	90,550	10,000	32,984	32,984	65,969	75,969	544,831
2023	551,058	90,550	10,000	32,784	32,784	65,569	75,569	536,076
2024	551,545	90,550	15,000	32,584	32,584	65,169	80,169	541,164
2025	556,625	90,550	15,000	32,284	32,284	64,569	79,569	545,644
2026	761,100	90,550	15,000	31,984	31,984	63,969	78,969	749,519
2027	766,900	90,550	15,000	31,684	31,684	63,369	78,369	754,719
2028	766,700	90,550	15,000	31,384	31,384	62,769	77,769	753,919
2029	780,700	90,550	15,000	31,216	31,216	62,431	77,431	767,581
2030	768,300	335,550	260,000	31,047	31,047	62,094	322,094	754,844
2031	605,500	330,750	260,000	28,122	28,122	56,244	316,244	590,994
2032	613,300	330,750	265,000	25,197	25,197	50,394	315,394	597,944
2033	625,100	335,350	280,000	22,050	22,050	44,100	324,100	613,850
2034	630,700	334,350	285,000	17,850	17,850	35,700	320,700	617,050
2035	495,300	332,950	295,000	13,575	13,575	27,150	322,150	484,500
2036	489,131	330,781	300,000	9,150	9,150	18,300	318,300	476,650
2037	488,550	333,200	310,000	4,650	4,650	9,300	319,300	474,650
2038	472,350	-	-	-	-	-	-	472,350
2039	464,750	-	-	-	-	-	-	464,750
2040	477,000	-	-	-	-	-	-	477,000
2041	463,500	-	-	-	-	-	-	463,500
	<u>\$ 12,999,134</u>	<u>\$ 3,523,906</u>	<u>\$ 2,395,000</u>	<u>\$ 441,731</u>	<u>\$ 460,576</u>	<u>\$ 902,307</u>	<u>\$ 3,297,307</u>	<u>\$ 12,772,535</u>

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value - Table 4**

2019 Certified Assessed Valuation	\$	121,842,614	(a)
2020 Preliminary Assessed Valuation	\$	126,123,090	(b)
Gross Debt Outstanding (after issuance of the Bonds)	\$	9,090,000	(c)
Ratio of Gross Debt to 2019 Certified Assessed Valuation		7.46%	
Ratio of Gross Debt to 2020 Preliminary Assessed Valuation		7.21%	
2019 Tax Rate			
Debt Service	\$	0.5030	
Maintenance		0.3070	
<b>Total 2019 Tax Rate</b>	<b>\$</b>	<b>0.8100</b>	<b>(d)</b>
Debt Service Fund Balance (as of April 22, 2020)	\$	1,204,599	(e)

Area of District: 515.29 acres  
Estimated Population as of April 1, 2020 – 2,370<sup>(f)</sup>

- (a) Assessed valuation of the District as of January 1, 2019, as certified by the Travis Central Appraisal District (“TCAD”). See "TAXING PROCEDURES."
- (b) Preliminary assessed valuation of the District as of January 1, 2020, as provided by TCAD. No taxes will be levied on such assessed valuation unless it is certified by TCAD. See “TAXING PROCEDURES.”
- (c) Includes the Bonds, excludes the Refunded Bonds.
- (d) The District levied the 2019 total tax rate at its meeting in September 2019.
- (e) Unaudited as of April 22, 2020. Neither Texas Law nor the Bond Order requires the District to maintain any particular sum in the debt service fund.
- (f) Based upon 3.5 residents per occupied single family home.

**Unlimited Tax Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Unissued
11/06/01	Water, Sanitary Sewer & Drainage	\$ 24,685,000.00	\$ 10,185,000.00	\$ 14,500,000.00
11/06/01	Refunding	37,027,500.00	1,240,312.55 (a)	35,787,187.45
	<b>Total</b>	<b>\$ 61,712,500.00</b>	<b>\$ 11,425,312.55</b>	<b>\$ 50,287,187.45</b>

- (a) The proposition approved by the voters authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the par amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$37,027,500. To the extent the par amount of the Refunding Bonds exceeds the par amount of the Refunded Bonds, the difference is counted against the refunding authorization. Additionally, any net premium received by the District from the sale of Refunding Bonds after deducting Underwriter’s discount is also counted against the District’s refunding authorization. The district has previously used \$1,080,312.55 of the total amount of refunding bonds authorized. The issuance of the Bonds uses \$160,000 of the total amount of refunding bonds authorized. After the issuance of the Bonds, the District will have used a total of \$1,240,312.55 of the District’s voted authorization for refunding purposes and will have \$35,787,187.45 of voted refunding authorization remaining unissued.

## Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding <sup>(a)</sup>
<b>A. New Money Bonds</b>				
9/1/2005	Water, Sanitary Sewer & Drainage	2005	\$ 2,000,000	\$ -
2/1/2008	Water, Sanitary Sewer & Drainage	2008	3,250,000	-
2/1/2009	Water, Sanitary Sewer & Drainage	2009	2,800,000	-
8/24/2016	Water, Sanitary Sewer & Drainage	2016	2,135,000	2,120,000
	Subtotal		<u>\$ 10,185,000</u>	<u>\$ 2,120,000</u>
<b>B. Refundings</b>				
3/1/2012	Refunding	2012	\$ 4,705,000	\$ 660,000
9/1/2012	Refunding	2012A	3,120,000	-
3/5/2019	Refunding	2019	3,920,000	3,915,000
5/20/2020	Refunding	2020	2,395,000	2,395,000 <sup>(b)</sup>
	Subtotal		<u>\$ 14,140,000</u>	<u>\$ 6,970,000</u>
	Total		<u>\$ 24,325,000</u>	<u>\$ 9,090,000</u>

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

(b) The Bonds.

## Cash and Investment Balances - Table 7 <sup>(a)</sup>

General Fund	\$ 1,775,899
Debt Service Fund	1,204,599 <sup>(b)</sup>
Capital Projects Fund	107,745

(a) Unaudited as of April 22, 2020.

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

## Investment Authority and Investment Practices of the District

Under State law, the District is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 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; (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 its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this state that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in this state that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or their respective successors, or are secured as to principal by obligations

described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above and clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with 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; (12) commercial paper with a stated maturity of 365 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; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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

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

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

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

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance, or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to:

(a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the District's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, and (10) at least annually review, re-vise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

**Current Investments - Table 8**

The District, as of April 22, 2020, is invested in money markets, TexPool, and L.O.G.I.C. This investment portfolio is generally representative of the District's investment practices. GASB Statement No.3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool and L.O.G.I.C. are public funds investment pools. TexPool and L.O.G.I.C. have not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool and L.O.G.I.C. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

<b>Investment Value as of April 22, 2020</b>	
Money Market	\$ 274,731
TexPool	1,711,923
L.O.G.I.C.	1,101,589
<b>Total Investments</b>	<b>\$ 3,088,243</b>

**Estimated Overlapping Debt Statement**

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

<b>Taxing Body<sup>(a)</sup></b>	<b>Net Debt</b>		<b>% of Overlapping Net Debt</b>	<b>Amount of Overlapping Net Debt</b>
	<b>Amount</b>	<b>As of</b>		
Travis County	992,335,000	3/31/2020	0.06%	595,401
Travis County Healthcare District	7,285,000	3/31/2020	0.06%	4,371
Austin Community College	404,420,000	3/31/2020	0.05%	202,210
Elgin Independent School District	43,014,984	3/31/2020	8.52%	<u>3,664,877</u>
<b>TOTAL ESTIMATED OVERLAPPING NET</b>				<b>\$ 4,466,859</b>
The District <sup>(b)</sup>	\$ 9,090,000	5/20/2020	100.00%	<u>\$ 9,090,000</u>
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING DEBT</b>				<b><u>\$ 13,556,859</u></b>
<b>Ratio of Estimated and Overlapping Debt to 2019 Certified Assessed Valuation</b>				<b>11.13%</b>
<b>Ratio of Estimated and Overlapping Debt to 2020 Preliminary Assessed Valuation</b>				<b>10.75%</b>

(a) Taxing jurisdictions.

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

**Overlapping Taxes for 2019**

Overlapping Entity	2019 Tax Rate Per	
	\$100 Assessed Valuation Travis County	Average Tax Bill <sup>(a)</sup> Travis County
Travis County	\$0.369293	\$ 643
Travis County Healthcare District	0.105573	184
Austin Community College	0.104900	183
Elgin Independent School District	1.518300	2,643
The District	<u>0.810000</u>	<u>1,410</u>
<b>Total</b>	<b>\$2.90807</b>	<b>\$ 5,061</b>

(a) Based upon the 2019 average single-family home value of \$174,047 as provided by TCAD.

**TAX DATA**

**Classification of Assessed Valuation - Table 9**

Type Property	2019 <sup>(a)</sup>		2018 <sup>(a)</sup>		2017 <sup>(a)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 126,251,542	103.49%	\$ 126,825,830	112.30%	\$ 114,120,171	111.99%
Vacant Lot	109,253	0.09%	109,253	0.10%	107,596	0.11%
Qualified Ag Land	5,360,799	4.39%	8,469,458	7.50%	12,099,226	11.87%
Non-Qualified Land	3,000	0.00%	3,000	0.00%	3,000	0.00%
Farm or Ranch Improvements	3,145,395	2.58%	31,750	0.03%	44,810	0.04%
Commercial Real Property	124,368	0.10%	96,426	0.09%	97,382	0.10%
Commercial Personal Property	182,752	0.15%	170,607	0.15%	116,454	0.11%
Telephone Company	3,437	0.00%	2,358	0.00%	2,397	0.00%
Totally Exempt Property	5,460	0.00%	5,460	0.00%	4,023	0.00%
Less: Adjustments	<u>(13,187,592)</u>	<u>-10.81%</u>	<u>(22,779,924)</u>	<u>-20.17%</u>	<u>(24,695,429)</u>	<u>-24.24%</u>
<b>Total</b>	<b>\$ 121,998,414</b>	<b>100.00%</b>	<b>\$ 112,934,218</b>	<b>100.00%</b>	<b>\$ 101,899,630</b>	<b>100.00%</b>

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

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**Tax Collections - Table 10**

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

Tax Year	Assessed Valuation (a)	Tax Rate	Tax Levy	Current Collections		Total Collections		Year Ending
				Amount	%	Amount	%	
2003	\$ 622,087	0.8800	5,474	5,474	100.00%	5,474	100.00%	9/30/2004 <sup>(b)</sup>
2004	5,644,168	0.8800	49,669	49,589	99.84%	49,669	100.00%	9/30/2005 <sup>(b)</sup>
2005	15,960,462	0.8800	140,452	139,124	99.05%	140,452	100.00%	9/30/2006 <sup>(b)</sup>
2006	34,179,310	0.8800	300,767	298,743	99.33%	300,767	100.00%	9/30/2007 <sup>(b)</sup>
2007	55,418,413	0.7909	438,304	426,421	97.29%	438,304	100.00%	9/30/2008 <sup>(b)</sup>
2008	68,428,324	0.7909	541,200	538,356	99.47%	541,200	100.00%	9/30/2009 <sup>(b)</sup>
2009	75,356,378	0.8500	640,529	637,543	99.53%	640,529	100.00%	9/30/2010 <sup>(b)</sup>
2010	71,142,711	0.9500	676,054	673,064	99.56%	676,054	100.00%	9/30/2011 <sup>(b)</sup>
2011	65,870,265	0.9900	653,088	650,342	99.58%	653,088	100.00%	9/30/2012 <sup>(b)</sup>
2012	56,921,940	1.0792	614,302	611,558	99.55%	614,293	100.00%	9/30/2013 <sup>(b)</sup>
2013	64,507,654	0.9900	638,626	634,912	99.42%	637,699	99.85%	9/30/2014 <sup>(b)</sup>
2014	73,516,481	0.9400	691,055	688,917	99.69%	690,711	99.95%	9/30/2015 <sup>(b)</sup>
2015	83,452,294	0.9050	755,243	754,052	99.84%	754,488	99.90%	9/30/2016 <sup>(b)</sup>
2016	91,475,152	0.9050	829,369	825,985	99.59%	825,985	99.59%	9/30/2017 <sup>(b)</sup>
2017	101,899,630	0.8781	894,781	892,097	99.70%	892,097	99.70%	9/30/2018 <sup>(b)</sup>
2018	112,934,218	0.8100	914,797	910,223	99.50%	910,223	99.50%	9/30/2019 <sup>(b)</sup>
2019	121,432,276	0.8100	987,022	933,593	94.59%	934,110	94.64%	9/30/2020 <sup>(c)</sup>

- (a) Assessed Valuation reflects the adjusted value at September 30<sup>th</sup> of each respective year as included in the audited financial statement.
- (b) Audited.
- (c) Unaudited. Reflects collections as of February 29, 2020. Taxes were due with no penalty by January 31, 2020.

**District Tax Rates - Table 11**

	Tax Rate per \$100 Assessed Valuation					
	2019	2018	2017	2016	2015	2014
Debt Service	\$ 0.5030	\$ 0.5584	\$ 0.6121	\$ 0.6835	\$ 0.6675	\$ 0.7564
Maintenance	<u>0.3070</u>	<u>0.2516</u>	<u>0.2660</u>	<u>0.2215</u>	<u>0.2375</u>	<u>0.1836</u>
<b>Total</b>	<b><u>\$ 0.8100</u></b>	<b><u>\$ 0.8100</u></b>	<b><u>\$ 0.8781</u></b>	<b><u>\$ 0.9050</u></b>	<b><u>\$ 0.9050</u></b>	<b><u>\$ 0.9400</u></b>

**Debt Service Tax**

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under "District Tax Rates – Table 11," the District levied a 2019 debt service tax rate of \$0.5030/\$100 assessed valuation.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and 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 that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 6, 2001, 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 2019 maintenance and operation tax of \$0.3070/\$100 assessed valuation. See "THE DISTRICT – General."

**Principal Taxpayers - Table 12**

The following list of principal taxpayers was provided by TCAD based on the 2019, 2018, and 2017 tax rolls of the District, which reflect the appraised value of taxable property owed as of January 1, of each year shown.

Principal Taxpayers	Type Property	2019 <sup>(a)</sup>	2018 <sup>(a)</sup>	2017 <sup>(a)</sup>
Centex Land Ltd.	Land & Improvements	\$ 3,187,168	(b)	(b)
Individual Homeowner	Land & Improvements	503,400	499,154	445,743
Individual Homeowner	Land & Improvements	499,634	493,714	443,082
American Homes 4 Rent	Land & Improvements	397,387	380,243	345,301
Sierra Halo LLC	Land & Improvements	393,532	362,702	337,195
Individual Homeowner	Land & Improvements	344,261	345,044	306,427
Boucvalt Investments LLC	Land & Improvements	336,170	335,298	(b)
Individual Homeowner	Land & Improvements	320,389	307,239	288,651
Canyon Clay LLC	Land & Improvements	314,400	316,450	275,309
King Cole Property Solutions LLC	Land & Improvements	297,065	300,881	269,548
Individual Homeowner	Land & Improvements	(b)	(b)	282,374
Individual Homeowner	Land & Improvements	(b)	283,790	257,509
		<b>\$ 6,593,406</b>	<b>\$ 3,624,515</b>	<b>\$ 3,251,139</b>
<b>Percent of Certified Assessed Valuation</b>		<b>5.43%</b>	<b>3.21%</b>	<b>3.19%</b>

- (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 in respective year.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuations from the 2019 certified assessed valuation and 2020 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 Remaining Outstanding Bonds (2020 through 2034) .....	\$630,609
\$0.55 Tax Rate on 2019 Certified Assessed Valuation of \$121,842,614 @ 95% collections produces .....	\$636,628
\$0.53 Tax Rate on 2020 Preliminary Assessed Valuation of \$126,123,090 @ 95% collections produces .....	\$635,030
Maximum Requirement on the Remaining Outstanding Bonds (2029) .....	\$767,581
\$0.67 Tax Rate on 2019 Certified Assessed Valuation of \$121,842,614 @ 95% collections produces .....	\$775,528
\$0.65 Tax Rate on 2020 Preliminary Assessed Valuation of \$126,123,090 @ 95% collections produces .....	\$778,810

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/20 .....	\$552,995 <sup>(a)</sup>
Audited Debt Service Fund Balance as of 9/30/18 .....	\$752,044 <sup>(b)</sup>
2019 Tax Levy @ 95% collections produces .....	582,225 <sup>(c)</sup>
Total Available for Debt Service .....	<u>\$1,334,269</u>

- (a) Interest payments on the Bonds commence September 1, 2020.
- (b) Audited. Represents debt service fund balance after all 2019 debt service requirements have been paid.
- (c) The District levied a 2019 debt service tax rate of \$0.5030, collection of which was due with no penalty by January 31, 2020.

## 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 Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – Maintenance Tax."

### Property Tax Code and County Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the 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; travel trailers; 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 offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse if such rating is less than 100%. 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 of the surviving 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 if the exemption is adopted by the governing board of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

**Tax Abatement:** Travis County and the District may enter into tax abatement agreements with owners of real property. 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:** A “Freeport Exemption” applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. 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. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. Freeport goods and goods-in-transit are 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.

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**

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

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

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

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

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

**The District:** A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. The District cannot give any assurances as to what its classification will

be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

### **District's Rights In The Event Of Tax Delinquencies**

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

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

### **Effect of FIRREA on Tax Collections**

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 B - Form of Bond Counsel Opinion." Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions "USE OF INFORMATION IN OFFICIAL STATEMENT – Securities Laws," "PLAN OF FINANCING – Escrow Agreement," "THE BONDS" (except for the subcaptions "DTC Redemption Provision," "Payment Record," "Remedies in Event of Default," "Annexation," and "Alteration of Boundaries"), "LEGAL MATTERS" (except for the last sentence of the first paragraph hereof and the subcaption "No-Litigation Certificate"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein, is correct as to matters of law, and, with respect to the Bonds, such information conforms to the provisions of the Bond Order. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. Certain legal matters will be passed upon for the Underwriter by its counsel, Hunton Andrews Kurth LLP, Houston, Texas.

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

### **No-Litigation Certificate**

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

### **VERIFICATION OF ESCROW SUFFICIENCY**

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

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

### **TAX MATTERS**

#### **Opinion**

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

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

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

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

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

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

The initial public offering price to be paid for one or more maturities of the Bonds is less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price

at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

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

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

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

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

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

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

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

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

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

### Annual Reports

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

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

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

### Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of 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 an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation (as defined by the Rule, which includes 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.

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

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

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

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

### **Limitations and Amendments**

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

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

### **Compliance with Prior Undertakings**

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

### **FINANCIAL ADVISOR**

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

## 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" and "THE SYSTEM - Water and Wastewater Operations" - 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 civil engineering.

The Auditor: The District's financial statements for the fiscal year ended September 30, 2019 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, 2019.

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 its authority in the field of appraising and tax assessing.

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

### Annual Audits

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

This Official Statement was approved by the Board of Directors of Travis County Municipal Utility District No. 14, as of the date shown on the first page hereof.

/s/ Harold D. Baughman  
President, Board of Directors  
Travis County Municipal Utility District No. 14

/s/ Merle L. Miller  
Secretary, Board of Directors  
Travis County Municipal Utility District No. 14

## PHOTOGRAPHS

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











**APPENDIX A**  
**AUDITED FINANCIAL STATEMENTS**

The information contained in this appendix has been excerpted from the final audited financial statement of Travis County Municipal Utility District No. 14 for the fiscal year ended September 30, 2019.

**TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT  
NO. 14**

**Financial Statements and  
Supplemental Information  
as of and for the Year Ended  
September 30, 2019 and  
Independent Auditors' Report**



**TRAVIS COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 14**

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**ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS

COUNTY OF TRAVIS

I, \_\_\_\_\_ of the  
(Name of Duly Authorized District Representative)

## TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the **22nd** day of **January, 2020**, its annual audit report for the fiscal year ended **September 30, 2019** and that copies of the annual audit report have been filed in the District's office, located at:

**100 Congress Ave., Suite 1300, Austin, TX 78701**

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.

Date: \_\_\_\_\_, 20\_\_.

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

\_\_\_\_\_  
(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

\_\_\_\_\_  
(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*

tel (512) 370 3200 fax (512) 370 3250  
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300  
Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Travis County Municipal Utility District No. 14:

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Municipal Utility District No. 14 (the "District"), as of and for the year ended September 30, 2019, 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, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages MDA-1 through MDA-7 and FS-20, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas supplemental information and other supplemental information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

*Maxwell Locke + Ritter LLP*

Austin, Texas  
January 22, 2020

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Travis County Municipal Utility District No. 14 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2019. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- *General Fund:* At the end of the current fiscal year, the unassigned and assigned fund balance was \$1,506,886, a decrease of \$88,679 from the previous fiscal year end. General Fund revenues decreased from \$1,260,065 in the previous fiscal year to \$1,173,933 in the current fiscal year primarily due to a decrease in service collections.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$555,623 at the end of the previous fiscal year to \$752,044 at the end of the current fiscal year. Debt Service Fund revenues increased from \$638,984 in the previous fiscal year to \$758,301 in the current fiscal year due to an increase in the District’s assessed valuation. Additionally, the District issued \$3,920,000 of Series 2019 unlimited tax refunding bonds to refund \$3,990,000 of previously issued debt. The refunding resulted in a net present value savings of \$158,656.
- *Capital Projects Fund:* At the end of the current fiscal year, fund balance restricted for authorized construction was \$106,903.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$27,980 during the current fiscal year. Net position decreased from a deficit balance of \$155,541 at September 30, 2018 to a deficit balance of \$183,521 at September 30, 2019.

**OVERVIEW OF THE DISTRICT**

The District, a political subdivision of the State of Texas, was created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality, dated July 18, 2001. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District was created to provide water, wastewater and storm drainage facilities to serve approximately 515 acres within its boundaries, all of which lie within Travis County and partially within the extra territorial jurisdiction of the City of Elgin. The District is located in eastern Travis County along U.S. Highway 290, approximately 3 miles west of the City of Elgin. The District receives wholesale water service from Aqua Water Supply Corporation and wholesale wastewater service from the City of Elgin.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

---

**USING THIS ANNUAL REPORT**

This annual report consists of six parts:

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2019	2018	
Current and other assets	\$ 2,714,877	\$ 2,532,616	\$ 182,261
Capital and non-current assets	6,582,722	6,751,949	(169,227)
<b>Total Assets</b>	<b>9,297,599</b>	<b>9,284,565</b>	<b>13,034</b>
Deferred charges on refundings	8,021	-	8,021
Current liabilities	568,451	505,669	62,782
Long-term liabilities	8,920,690	8,934,437	(13,747)
<b>Total Liabilities</b>	<b>9,489,141</b>	<b>9,440,106</b>	<b>49,035</b>
Net investment in capital assets	(2,425,069)	(2,288,028)	(137,041)
Restricted for debt service	731,900	534,281	197,619
Unrestricted	1,509,648	1,598,206	(88,558)
<b>Total Net Position</b>	<b>\$ (183,521)</b>	<b>\$ (155,541)</b>	<b>\$ (27,980)</b>

The District's net position decreased from a deficit balance of \$155,541 at the end of the previous fiscal year to a deficit balance of \$183,521 at the end of the current fiscal year. Some of these assets are accounted for by capital assets or restricted for debt service. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$1,509,648, a decrease of \$88,558 from the previous fiscal year.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Revenues and Expenses:**

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2019	2018	
Service revenues, including penalties	\$ 815,946	\$ 966,344	\$ (150,398)
Property taxes, including penalties and interest	1,056,254	897,440	158,814
Interest and other	62,350	39,335	23,015
<b>Total Revenues</b>	<b>1,934,550</b>	<b>1,903,119</b>	<b>31,431</b>
District operations	1,106,470	934,147	172,323
Professional fees	134,801	106,277	28,524
Other	26,538	31,231	(4,693)
Debt service	524,289	361,715	162,574
Depreciation/amortization	170,432	169,226	1,206
<b>Total Expenses</b>	<b>1,962,530</b>	<b>1,602,596</b>	<b>359,934</b>
Change in Net Position	(27,980)	300,523	(328,503)
Beginning Net Position	(155,541)	(456,064)	300,523
Ending Net Position	\$ (183,521)	\$ (155,541)	\$ (27,980)

Revenues were \$1,934,550 for the fiscal year ended September 30, 2019, while expenses were \$1,962,530. Net position decreased by \$27,980 during the current fiscal year.

Property taxes, including penalties and interest, totaled \$1,056,254 in the current fiscal year. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

The District's assessed value in fiscal year 2019 was approximately \$113 million compared to \$102 million in fiscal year 2018. The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Travis County. The ad valorem tax rate for fiscal year 2019 was \$0.81 per \$100 assessed valuation and \$0.8781 per \$100 assessed valuation for fiscal year 2018. The District's primary revenue sources are service revenues and property taxes.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

**ANALYSIS OF GOVERNMENTAL FUNDS**

Governmental Funds by Year

	2019	2018	2017	2016
Cash and investments	\$ 2,545,129	\$ 2,404,826	\$ 2,107,317	\$ 1,903,771
Receivables	186,584	129,782	119,082	118,282
<b>Total Assets</b>	<b>\$ 2,731,713</b>	<b>\$ 2,534,608</b>	<b>\$ 2,226,399</b>	<b>\$ 2,022,053</b>
Accounts payable	\$ 184,477	\$ 108,008	\$ 101,626	\$ 96,717
Other payables	172,141	161,563	133,113	134,594
<b>Total Liabilities</b>	<b>356,618</b>	<b>269,571</b>	<b>234,739</b>	<b>231,311</b>
Deferred Inflows of Resources	9,262	9,389	6,910	3,448
Restricted	858,947	660,083	582,956	514,457
Assigned	454,947	396,848	317,200	273,600
Unassigned	1,051,939	1,198,717	1,084,594	999,237
<b>Total Fund Balance</b>	<b>2,365,833</b>	<b>2,255,648</b>	<b>1,984,750</b>	<b>1,787,294</b>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<b>\$ 2,731,713</b>	<b>\$ 2,534,608</b>	<b>\$ 2,226,399</b>	<b>\$ 2,022,053</b>

As of September 30, 2019, the District's governmental funds reflect a fund balance of \$2,365,833. This fund balance includes a \$88,679 decrease in the General Fund balance.

The Debt Service Fund reflects an increase in fund balance of \$196,421 in fiscal year 2019. The Debt Service Fund remitted bond principal of \$215,000 and interest of \$343,991 in fiscal year 2019. Additionally, the District issued \$3,920,000 of Series 2019 unlimited tax refunding bonds to refund \$3,990,000 of previously issued debt. The refunding resulted in a net present value savings of \$158,656. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The Capital Projects Fund reflects an increase in fund balance of \$2,443 in fiscal year 2019.

**BUDGETARY HIGHLIGHTS**

The General Fund pays for daily operating expenses. On August 22, 2018, the Board of Directors approved a budget for the fiscal year ending September 30, 2019 and subsequently amended the budget on July 24, 2019. The amended budget included revenues of \$1,099,280 as compared to expenditures of \$1,276,835 for fiscal year 2019. When comparing actual to budget, the District had a positive variance of \$88,876. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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**CAPITAL ASSETS**

As of September 30, 2019, the District's governmental activities have invested \$6,582,722 in land and infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2019	9/30/2018
Capital Assets:		
Land and Easements	\$ 14,670	\$ 14,670
Equipment	82,371	82,371
Water/Wastewater/Drainage Facilities	8,148,680	8,148,680
Less: Accumulated Depreciation	(1,662,999)	(1,493,772)
	\$ 6,582,722	\$ 6,751,949
Total Net Capital Assets	\$ 6,582,722	\$ 6,751,949

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

**LONG-TERM DEBT**

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

	Bonds
	Payable
Series 2012	\$ 660,000
Series 2012A	2,235,000
Series 2016	2,120,000
Series 2019	3,915,000
	\$ 8,930,000
Total	\$ 8,930,000

The District owes approximately \$8.9 million to bond holders as of September 30, 2019. During the year ended September 30, 2019, the principal balance was reduced by \$215,000. The ratio of the District's long term debt to total 2018 taxable assessed valuation (\$112,934,218) is 7.9%. The District's estimated population, as provided by the District as of September 30, 2019, is 2,366. More detailed information about the District's long-term debt is presented in the *Notes to the Basic Financial Statements*.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

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

The property tax assessed value for 2019 is approximately \$135 million and the net taxable value is approximately \$122 million. The fiscal year 2020 tax rate is \$0.81 on each \$100 of taxable value. Approximately 38% of the property tax will fund general operating expenses, and approximately 62% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2020 projects an operating fund balance decrease of \$50,547. Compared to the fiscal year 2019 amended budget, revenues are expected to increase by approximately \$53,000 and expenditures are expected to decrease by approximately \$74,000.

**REQUESTS FOR INFORMATION**

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

## **BASIC FINANCIAL STATEMENTS**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUNDS BALANCE SHEET**  
**SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<b><u>ASSETS</u></b>						
Cash and cash equivalents:						
Cash	\$ 229,956	\$ -	\$ -	\$ 229,956	\$ -	\$ 229,956
Cash equivalents	1,416,415	791,855	106,903	2,315,173	-	2,315,173
Receivables:						
Service accounts, no provision for uncollectible accounts	108,849	-	-	108,849	-	108,849
Property taxes	2,762	6,500	-	9,262	-	9,262
Interfund	39,811	-	-	39,811	(39,811)	-
Other	28,662	-	-	28,662	-	28,662
Prepaid expenditures	-	-	-	-	22,975	22,975
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	14,670	14,670
Equipment	-	-	-	-	44,307	44,307
Water/wastewater/drainage facilities	-	-	-	-	6,523,745	6,523,745
<b>TOTAL ASSETS</b>	<b>\$ 1,826,455</b>	<b>\$ 798,355</b>	<b>\$ 106,903</b>	<b>\$ 2,731,713</b>	<b>6,565,886</b>	<b>9,297,599</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>						
Deferred charges on refundings	-	-	-	-	8,021	8,021
Total deferred outflows of resources	-	-	-	-	8,021	8,021
<b><u>LIABILITIES</u></b>						
Accounts payable	\$ 184,477	\$ -	\$ -	\$ 184,477	-	184,477
Refundable deposits	132,330	-	-	132,330	-	132,330
Accrued bond interest payable	-	-	-	-	26,644	26,644
Interfund payables	-	39,811	-	39,811	(39,811)	-
Long-term liabilities:						
Due within one year	-	-	-	-	225,000	225,000
Due after one year	-	-	-	-	8,920,690	8,920,690
<b>TOTAL LIABILITIES</b>	<b>316,807</b>	<b>39,811</b>	<b>-</b>	<b>356,618</b>	<b>9,132,523</b>	<b>9,489,141</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>						
Property taxes	2,762	6,500	-	9,262	(9,262)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>2,762</b>	<b>6,500</b>	<b>-</b>	<b>9,262</b>	<b>(9,262)</b>	<b>-</b>
<b><u>FUND BALANCES / NET POSITION</u></b>						
Fund balances:						
Restricted for debt service	-	752,044	-	752,044	(752,044)	-
Restricted for capital projects	-	-	106,903	106,903	(106,903)	-
Assigned for FY2019 - 2020 budgeted deficit	50,547	-	-	50,547	(50,547)	-
Assigned for major repairs and replacements	404,400	-	-	404,400	(404,400)	-
Unassigned	1,051,939	-	-	1,051,939	(1,051,939)	-
<b>TOTAL FUND BALANCES</b>	<b>1,506,886</b>	<b>752,044</b>	<b>106,903</b>	<b>2,365,833</b>	<b>(2,365,833)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,826,455</b>	<b>\$ 798,355</b>	<b>\$ 106,903</b>	<b>\$ 2,731,713</b>		
<b><u>NET POSITION</u></b>						
Net investment in capital assets					(2,425,069)	(2,425,069)
Restricted for debt service					731,900	731,900
Unrestricted					1,509,648	1,509,648
<b>TOTAL NET POSITION</b>					<b>\$ (183,521)</b>	<b>\$ (183,521)</b>

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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCES**  
**YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
<b>REVENUES:</b>						
Service revenues, including penalties	\$ 815,946	\$ -	\$ -	\$ 815,946	\$ -	\$ 815,946
Property taxes, including penalties and interest	322,578	733,803	-	1,056,381	(127)	1,056,254
Interest and other	35,409	24,498	2,443	62,350	-	62,350
<b>TOTAL REVENUES</b>	<b>1,173,933</b>	<b>758,301</b>	<b>2,443</b>	<b>1,934,677</b>	<b>(127)</b>	<b>1,934,550</b>
<b>EXPENDITURES / EXPENSES:</b>						
Water/wastewater purchases	641,538	-	-	641,538	-	641,538
Garbage collection fees	119,218	-	-	119,218	-	119,218
Repairs/maintenance	238,105	-	-	238,105	-	238,105
Operations/management fee	78,215	-	-	78,215	-	78,215
Legal fees	86,759	-	-	86,759	-	86,759
Engineering fees	9,512	-	-	9,512	-	9,512
Accounting fees	23,700	-	-	23,700	-	23,700
Utilities/telephone	11,936	-	-	11,936	-	11,936
Security lights	8,708	-	-	8,708	-	8,708
Audit fees	12,500	-	-	12,500	-	12,500
Easement mowing	8,750	-	-	8,750	-	8,750
Director fees, including payroll taxes	7,266	-	-	7,266	-	7,266
Insurance	6,233	-	-	6,233	-	6,233
Tax appraisal/collection	1,618	3,591	-	5,209	-	5,209
Other consulting fees	724	1,606	-	2,330	-	2,330
Public notice	3,857	-	-	3,857	-	3,857
Other	3,973	-	-	3,973	-	3,973
Debt service:						
Bond principal	-	215,000	-	215,000	(215,000)	-
Bond interest	-	343,991	-	343,991	(162)	343,829
Fiscal agent fees	-	1,200	-	1,200	-	1,200
Bond issuance costs	-	203,105	-	203,105	(23,845)	179,260
Depreciation/amortization	-	-	-	-	170,432	170,432
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>1,262,612</b>	<b>768,493</b>	<b>-</b>	<b>2,031,105</b>	<b>(68,575)</b>	<b>1,962,530</b>
Excess (deficiency) of revenues over (under) expenditures / expenses	(88,679)	(10,192)	2,443	(96,428)	68,448	(27,980)
<b>OTHER FINANCING SOURCES/(USES):</b>						
Issuance of bonds	-	3,920,000	-	3,920,000	(3,920,000)	-
Payments to refunded bond escrow agent	-	(3,998,356)	-	(3,998,356)	3,998,356	-
Bond premium	-	284,969	-	284,969	(284,969)	-
<b>TOTAL OTHER FINANCING SOURCES, NET</b>	<b>-</b>	<b>206,613</b>	<b>-</b>	<b>206,613</b>	<b>(206,613)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(88,679)</b>	<b>196,421</b>	<b>2,443</b>	<b>110,185</b>	<b>(110,185)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(27,980)</b>	<b>(27,980)</b>
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	1,595,565	555,623	104,460	2,255,648	(2,411,189)	(155,541)
End of the year	\$ 1,506,886	\$ 752,044	\$ 106,903	\$ 2,365,833	\$ (2,549,354)	\$ (183,521)

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

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Travis County Municipal Utility District No. 14 (the “District”) relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments includes those principles prescribed by the *Governmental Accounting Standards Board* (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Reporting Entity** - The District, a political subdivision of the State of Texas, was created by order of the Texas Natural Resource Conservation Commission, predecessor to the Texas Commission on Environmental Quality, dated July 18, 2001. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity.

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

- **Government-Wide Financial Statements**

The District’s Statement of Net Position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group, as applicable. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District’s capital assets, including infrastructure, and original issue discounts.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

- **Government-Wide Statements (continued)**

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

- **Fund Financial Statements**

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

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

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

**Basis of Accounting**

- **Governmental Funds**

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

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

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

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

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. The District has made no such accrual as of September 30, 2019. All other revenues of the District are recorded on the accrual basis in all funds.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

**Basis of Accounting (continued)**

- **Governmental Funds (continued)**

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

**Budgets and Budgetary Accounting** - A budget was initially adopted on August 22, 2018 and finally amended on July 24, 2019 for the General Fund on a basis consistent with GAAP. The District’s Board utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end.

**Cash and Cash Equivalents** - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of external investment pools, are recorded at amortized cost.

**Accounts Receivable** - The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management’s evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District believes all accounts were collectible at September 30, 2019.

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

**Capital Assets** - Capital assets are reported in the government-wide column in the Statement of Net Position. Public domain (“infrastructure”) capital assets, including water, wastewater and drainage facilities and equipment are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated acquisition value at the time received.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

Capital assets, other than land and easements, are depreciated using the straight-line method over the following estimated useful lives:

Asset	Years
Water/Wastewater/Drainage Facilities	15-50
Equipment	10-20

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

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

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

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

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

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

**Fund Equity** - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 11 for additional information on those fund balance classifications.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

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

**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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

**Recently Adopted Accounting Pronouncements** - In June 2018, GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2019. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest cost incurred before the end of a construction period. Under GASB Statement No. 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management has chosen to early implement GASB Statement No. 89 during the year ended September 30, 2019, the effect of which is reflected in the financial statements and within the footnotes.

**Recently Issued Accounting Pronouncement** - In June 2017, 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.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS**

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

Fund balances - total governmental funds		\$ 2,365,833
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Capital assets	\$ 8,245,721	
Less: Accumulated depreciation	<u>(1,662,999)</u>	6,582,722
Bond insurance premium, net		22,975
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available.		9,262
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		
Bonds payable	(8,930,000)	
Bond discounts/premiums, net	(215,690)	
Deferred charges on refundings, net	8,021	
Accrued bond interest payable	<u>(26,644)</u>	<u>(9,164,313)</u>
Total net position		<u>\$ (183,521)</u>

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS (continued) -**

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

Changes in fund balances - total governmental funds		\$ 110,185
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond principal payments as expenditures	\$ 215,000	
Bond insurance premium	23,845	
Accrued interest expense	162	
Tax revenue when collected	(127)	
Bond refunding activity and related bond discount/premium	<u>(206,613)</u>	\$ 32,267
Governmental funds do not report- Depreciation/amortization		<u>(170,432)</u>
Change in net position		<u><u>\$ (27,980)</u></u>

**3. CASH AND CASH EQUIVALENTS**

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the “Public Funds Investment Act”) and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District’s investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation (“FDIC”) insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits must be held by independent third party trustees.

**Cash** - At September 30, 2019, the carrying amount of the District’s deposits was \$229,956 and the bank balance was \$256,409. The bank balance was covered by FDIC insurance and other pledged collateral.

**Interest Rate Risk** - In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

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

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

At September 30, 2019, the District held the following investments:

Cash Equivalents and Investments	Fair Value at 9/30/2019	Weighted Average Maturity (Days)	Investment Rating	
			Rating	Rating Agency
TexPool	\$ 1,073,001	1	AAAm	Standard & Poors
LOGIC	1,242,172	1	AAAm	Standard & Poors
	<u>\$ 2,315,173</u>			

The Comptroller of Public Accounts is the sole officer and director of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the Texas Local Government Investment Pool (“TexPool”). Although TexPool is not registered with the SEC as an investment company, they operate in a manner consistent with the SEC’s Rule 2a-7 of the Investment Company Act of 1940. These investments are stated at amortized cost in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. TexPool also has an advisory board to advise on TexPool’s investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Investors is the investment manager for the pool and manages daily operations of TexPool under a contract with the Comptroller. TexPool’s investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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

Local Government Investment Cooperative (“LOGIC”) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, chapter 791, of the Texas Government Code, and the Public Funds Investment Act, chapter 2256, of the Texas Government Code. The pool was created in April 1994 through a contract among its participating governmental units, and is governed by a board of directors to provide for the joint investments of participant’s public funds and funds under their control. LOGIC’s investment policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. J.P. Morgan Investment Management Inc. serves as investment adviser to LOGIC and is an SEC registered investment adviser.

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

**Concentration of Credit Risk** - In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2019, the District did not own any investments in individual securities.

**Custodial Credit Risk** - Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. The District’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2019, the District’s bank deposits were covered by FDIC insurance and other pledged collateral.

**4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District establishes appraised values in accordance with the requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District’s property taxes. The Board set current tax rates on August 22, 2018.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2018 tax roll. The tax rate, based on the total taxable assessed valuation of \$112,934,218 was \$0.81 on each \$100 valuation and was allocated \$0.2516 to the General Fund and \$0.5584 to the Debt Service Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters on November 6, 2001.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2019**

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**4. PROPERTY TAXES (continued) -**

Property taxes receivable at September 30, 2019 consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	\$ 1,506	\$ 3,342	\$ 4,848
Prior years' levies	1,256	3,158	4,414
	\$ 2,762	\$ 6,500	\$ 9,262

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

**5. INTERFUND RECEIVABLES AND PAYABLES**

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

	Interfund	
	Receivables	Payables
General Fund - Debt Service Fund	\$ 39,811	\$ -
Debt Service Fund - General Fund	-	39,811
	\$ 39,811	\$ 39,811

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 9/30/2018	Additions	Deletions	Balance 9/30/2019
Capital assets:				
Land and easements	\$ 14,670	\$ -	\$ -	\$ 14,670
Equipment	82,371	-	-	82,371
Water, wastewater and drainage facilities	8,148,680	-	-	8,148,680
Total capital assets	<u>8,245,721</u>	-	-	<u>8,245,721</u>
Less accumulated depreciation for:				
Equipment	(32,825)	(5,239)	-	(38,064)
Water, wastewater and drainage facilities	(1,460,947)	(163,988)	-	(1,624,935)
Total accumulated depreciation	<u>(1,493,772)</u>	<u>(169,227)</u>	-	<u>(1,662,999)</u>
Total capital assets, net	<u>\$ 6,751,949</u>	<u>\$ (169,227)</u>	<u>\$ -</u>	<u>\$ 6,582,722</u>

**7. DEFERRED OUTFLOWS OF RESOURCES**

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2019:

Deferred charges on refundings - September 30, 2018	\$ -
Additions from Series 2019 refunding	8,356
Retirements from Series 2019 refunding	<u>(335)</u>
Deferred charges on refundings - September 30, 2019	<u>\$ 8,021</u>

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
 NOTES TO THE BASIC FINANCIAL STATEMENTS  
 YEAR ENDED SEPTEMBER 30, 2019**

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**8. LONG-TERM DEBT**

The following is a summary of bond transactions of the District as of and for the year ended September 30, 2019:

	Unlimited Tax Bonds
Bonds payable at September 30, 2018	\$ 9,215,000
Bonds issued	3,920,000
Bonds refunded	(3,990,000)
Bonds retired	(215,000)
Bond premium/discount, net of accumulated amortization	215,690
Bonds payable at September 30, 2019	\$ 9,145,690

Bonds payable at September 30, 2019 were comprised of the following individual issues:

**Unlimited Tax Bonds:**

\$2,120,000 - 2016 Unlimited Tax Bonds, payable serially through the year 2041 at interest rates which range from 2.0% to 4.0%.

**Unlimited Tax Refunding Bonds:**

\$660,000 - 2012 Unlimited Tax Refunding Bonds payable serially through the year 2022 at interest rates which range from 2.0% to 4.5%.

\$2,235,000 - 2012A Unlimited Tax Refunding Bonds payable serially through the year 2037 at interest rates which range from 3.75% to 4.125%.

\$3,915,000 - 2019 Unlimited Tax Refunding Bonds payable serially through the year 2034 at interest rates which range from 3.0% to 4.0%.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

**8. LONG-TERM DEBT (continued) -**

The annual requirements to amortize all bonded debt at September 30, 2019, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2020	\$ 225,000	\$ 334,426	\$ 559,426
2021	225,000	327,188	552,188
2022	240,000	319,413	559,413
2023	240,000	311,058	551,058
2024	250,000	301,545	551,545
2025 - 2029	2,335,000	1,297,025	3,632,025
2030 - 2034	2,450,000	792,900	3,242,900
2035 - 2039	2,065,000	345,081	2,410,081
2040 - 2041	900,000	40,500	940,500
	\$ 8,930,000	\$ 4,069,136	\$ 12,999,136

\$752,044 is available in the Debt Service Fund at September 30, 2019 to service the bonded debt.

Bonds authorized but not issued amounted to \$14,500,000 at September 30, 2019.

On March 5, 2019, the District issued unlimited tax refunding bonds of \$3,920,000 (par value) with interest rates of 3.0% to 4.0% to currently refund \$3,105,000 of Series 2012 unlimited tax bonds with interest rates of 4.0% to 4.5% and \$885,000 of Series 2012A unlimited tax refunding bonds with interest rates of 3.75% - 4.0%. The bonds had maturity dates of September 1, 2023 through September 1, 2034. The first optional redemption date is April 9, 2019. The unlimited tax refunding bonds were issued at par plus a re-offering premium and, after paying issuance costs of \$203,105, the net proceeds were \$3,998,356. The net proceeds were used to purchase U.S. government securities and those securities were deposited in an irrevocable trust with an escrow agent to provide debt service payments until the Series 2012 and 2012A bonds are paid. The current refunding met the requirements of an in-substance debt defeasance and the Series 2012 and 2012A bonds were removed from bonds payable. The reacquisition price exceeded the net carrying amount of the old debt by \$8,356. This amount is netted against the new debt and amortized over the life of the refunded debt which is the same as the life of the new debt issued. The current refunding resulted in net present value savings of \$158,656.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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**9. RISK MANAGEMENT**

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

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

**10. COMMITMENTS AND CONTINGENCIES**

The developer of the land within the District has incurred costs related to the construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality.

**11. 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. The District had no such amounts.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**YEAR ENDED SEPTEMBER 30, 2019**

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**11. FUND BALANCES (continued) -**

- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

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

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

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

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2019**

	<u>Actual</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>				
Service revenues, including penalties	\$ 815,946	\$ 897,755	\$ 790,625	\$ 25,321
Property taxes, including penalties and interest	322,578	278,655	278,655	43,923
Interest and other	35,409	12,000	30,000	5,409
<b>TOTAL REVENUES</b>	<u>1,173,933</u>	<u>1,188,410</u>	<u>1,099,280</u>	<u>74,653</u>
<b>EXPENDITURES:</b>				
Water/wastewater purchases	641,538	690,465	680,465	38,927
Garbage collection fees	119,218	114,726	114,726	(4,492)
Repairs/maintenance	238,105	138,100	200,477	(37,628)
Operations/management fee	78,215	77,530	77,530	(685)
Legal fees	86,759	57,000	73,000	(13,759)
Accounting fees	23,700	23,700	23,700	-
Utilities/telephone	11,936	17,100	17,100	5,164
Security lights	8,708	13,560	13,560	4,852
Audit fees	12,500	13,000	13,000	500
Easement mowing	8,750	32,000	16,000	7,250
Director fees, including payroll taxes	7,266	7,335	7,335	69
Insurance	6,233	6,250	6,250	17
Tax appraisal/collection	1,618	1,524	1,524	(94)
Other consulting fees	724	3,868	3,868	3,144
Engineering fees	9,512	10,800	10,800	1,288
Public notice	3,857	3,000	3,000	(857)
Other	3,973	4,500	4,500	527
Capital outlay	-	10,000	10,000	10,000
<b>TOTAL EXPENDITURES</b>	<u>1,262,612</u>	<u>1,224,458</u>	<u>1,276,835</u>	<u>14,223</u>
Net change in fund balance	(88,679)	<u>\$ (36,048)</u>	<u>\$ (177,555)</u>	<u>\$ 88,876</u>
<b>FUND BALANCE:</b>				
Beginning of the year	<u>1,595,565</u>			
End of the year	<u>\$ 1,506,886</u>			

**TEXAS**  
**SUPPLEMENTAL INFORMATION**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-1. SERVICES AND RATES**  
**SEPTEMBER 30, 2019**

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

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

**2. Retail Service Providers**

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 35.00 <sup>(1)</sup>	-	N	\$ 5.25	Over 2,000
WASTEWATER:	\$ 38.00	-	Y	-	-
SURCHARGE:	-	-	-	-	-

District employs winter averaging for wastewater usage? Yes  No

Total charges per 10,000 gallons usage: Water \$ 77.00 <sup>(1)</sup> Wastewater \$ 38.00

**b. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0.0	0.0	1.0	0.0
≤ 3/4"	689.0	686.0	1.0	686.0
1"	1.0	1.0	2.5	2.5
1 1/2"	2.0	2.0	5.0	10.0
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	692.0	689.0		698.5
Total Wastewater	689.0	681.0	1.0	681.0

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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-1. SERVICES AND RATES**  
**SEPTEMBER 30, 2019**

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

Gallons pumped into system: 48,701

Gallons billed to customers: 46,292

<b>Water Accountability Ratio</b>
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(Gallons billed / Gallons Pumped)

95.1%

**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

Is the District located entirely within one county? Yes  No

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

City(ies) in which district is located: N/A

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

Entirely  Partly  Not at all

ETJ's in which district is located: Elgin

Are Board members appointed by an office outside the district?

Yes  No

If Yes, by whom? \_\_\_\_\_

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-2. GENERAL FUND EXPENDITURES**  
**SEPTEMBER 30, 2019**

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		12,500
Legal		86,759
Engineering		9,512
Financial Advisor		724
Purchased Services For Resale-		
Bulk Water and Wastewater Purchases		641,538
Contracted Services:		
Bookkeeping		23,700
General Manager		78,215
Appraisal District/Tax Collector		1,618
Other Contracted Services		119,218
Utilities		20,644
Repairs and Maintenance		246,855
Administrative Expenditures:		
Directors' Fees		7,266
Office Supplies		-
Insurance		6,233
Other Administrative Expenditures		7,830
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Bad Debt		-
Parks and Recreation		-
Other Expenditures		-
<b>TOTAL EXPENDITURES</b>		<b>\$ 1,262,612</b>

Number of persons employed by the District:

Full-Time     Part-Time

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-3. TEMPORARY INVESTMENTS**  
**SEPTEMBER 30, 2019**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b>General Fund:</b>					
Investment in TexPool	XXX0002	Varies	N/A	\$ 674,209	\$ -
Investment in LOGIC	XXX6001	Varies	N/A	742,206	-
<b>Total</b>				<u>1,416,415</u>	<u>-</u>
<b>Debt Service Fund:</b>					
Investment in TexPool	XXX0001	Varies	N/A	6,611	-
Investment in TexPool	XXX0003	Varies	N/A	285,278	-
Investment in LOGIC	XXX6002	Varies	N/A	499,966	-
<b>Total</b>				<u>791,855</u>	<u>-</u>
<b>Capital Projects Fund-</b>					
Investment in TexPool	XXX0007	Varies	N/A	106,903	-
<b>Total</b>				<u>106,903</u>	<u>-</u>
<b>Total - All Funds</b>				<u>\$ 2,315,173</u>	<u>\$ -</u>

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-4. TAXES LEVIED AND RECEIVABLE**  
**SEPTEMBER 30, 2019**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Taxes Receivable, Beginning of Year</b>	\$ 2,641	\$ 6,748
2018 Original Tax Levy, less abatements	284,779	632,036
Adjustments	32,320	85,658
Total to be accounted for	319,740	724,442
<b>Tax collections:</b>		
Current year	290,472	644,672
Prior years	26,506	73,270
Total collections	316,978	717,942
<b>Taxes Receivable, End of Year</b>	\$ 2,762	\$ 6,500
<b>Taxes Receivable, By Years</b>		
2017 and before	\$ 1,256	\$ 3,158
2018	1,506	3,342
<b>Taxes Receivable, End of Year</b>	\$ 2,762	\$ 6,500

	2018	2017	2016	2015
<b>Property Valuations-</b>				
Land and improvements	\$ 112,934,218 (a)	\$ 101,899,630 (a)	\$ 91,475,152 (a)	83,452,294 (a)
<b>Total Property Valuations</b>	\$ 112,934,218	\$ 101,899,630	\$ 91,475,152	\$ 83,452,294
<b>Tax Rates per \$100 Valuation:</b>				
Debt Service tax rates	\$ 0.5584	\$ 0.6121	\$ 0.6835	\$ 0.6675
Maintenance tax rates	0.2516	0.2660	0.2215	0.2375
<b>Total Tax Rates per \$100 Valuation:</b>	\$ 0.8100	\$ 0.8781	\$ 0.9050	\$ 0.9050
<b>Original Tax Levy</b>	\$ 914,767	\$ 894,781	\$ 827,850	\$ 755,243
<b>Percent of Taxes Collected to Taxes Levied **</b>	99.5%	99.7%	99.9%	99.9%

**Maximum Maintenance Tax Rate Approved by Voters: \$ 1.00 on 11/6/2001**

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

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

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS**  
**SEPTEMBER 30, 2019**

Fiscal Year Ending	Unlimited Tax Refunding Bonds Series 2012			Unlimited Tax Refunding Bonds Series 2012A			Unlimited Tax Bonds Series 2016			Unlimited Tax Refunding Bonds Series 2019			Total - All Issues		
	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	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2020	\$ 215,000	\$ 22,563	\$ 237,563	\$ -	\$ 90,550	\$ 90,550	\$ 5,000	\$ 64,813	\$ 69,813	\$ 5,000	\$ 156,500	\$ 161,500	\$ 225,000	\$ 334,426	\$ 559,426
2021	215,000	15,575	230,575	-	90,550	90,550	5,000	64,713	69,713	5,000	156,350	161,350	225,000	327,188	552,188
2022	230,000	8,050	238,050	-	90,550	90,550	5,000	64,613	69,613	5,000	156,200	161,200	240,000	319,413	559,413
2023	-	-	-	-	90,550	90,550	5,000	64,508	69,508	235,000	156,000	391,000	240,000	311,058	551,058
2024	-	-	-	-	90,550	90,550	5,000	64,395	69,395	245,000	146,600	391,600	250,000	301,545	551,545
2025	-	-	-	-	90,550	90,550	5,000	64,275	69,275	260,000	136,800	396,800	265,000	291,625	556,625
2026	-	-	-	-	90,550	90,550	5,000	64,150	69,150	475,000	126,400	601,400	480,000	281,100	761,100
2027	-	-	-	-	90,550	90,550	5,000	63,950	68,950	500,000	107,400	607,400	505,000	261,900	766,900
2028	-	-	-	-	90,550	90,550	5,000	63,750	68,750	520,000	87,400	607,400	525,000	241,700	766,700
2029	-	-	-	-	90,550	90,550	5,000	63,550	68,550	555,000	66,600	621,600	560,000	220,700	780,700
2030	-	-	-	245,000	90,550	335,550	5,000	63,350	68,350	320,000	44,400	364,400	570,000	198,300	768,300
2031	-	-	-	250,000	80,750	330,750	5,000	63,150	68,150	175,000	31,600	206,600	430,000	175,500	605,500
2032	-	-	-	260,000	70,750	330,750	5,000	62,950	67,950	190,000	24,600	214,600	455,000	158,300	613,300
2033	-	-	-	275,000	60,350	335,350	5,000	62,750	67,750	205,000	17,000	222,000	485,000	140,100	625,100
2034	-	-	-	285,000	49,350	334,350	5,000	62,550	67,550	220,000	8,800	228,800	510,000	120,700	630,700
2035	-	-	-	295,000	37,950	332,950	100,000	62,350	162,350	-	-	-	395,000	100,300	495,300
2036	-	-	-	305,000	25,781	330,781	100,000	58,350	158,350	-	-	-	405,000	84,131	489,131
2037	-	-	-	320,000	13,200	333,200	100,000	55,350	155,350	-	-	-	420,000	68,550	488,550
2038	-	-	-	-	-	-	420,000	52,350	472,350	-	-	-	420,000	52,350	472,350
2039	-	-	-	-	-	-	425,000	39,750	464,750	-	-	-	425,000	39,750	464,750
2040	-	-	-	-	-	-	450,000	27,000	477,000	-	-	-	450,000	27,000	477,000
2041	-	-	-	-	-	-	450,000	13,500	463,500	-	-	-	450,000	13,500	463,500
	<u>\$ 660,000</u>	<u>\$ 46,188</u>	<u>\$ 706,188</u>	<u>\$ 2,235,000</u>	<u>\$ 1,334,181</u>	<u>\$ 3,569,181</u>	<u>\$ 2,120,000</u>	<u>\$ 1,266,117</u>	<u>\$ 3,386,117</u>	<u>\$ 3,915,000</u>	<u>\$ 1,422,650</u>	<u>\$ 5,337,650</u>	<u>\$ 8,930,000</u>	<u>\$ 4,069,136</u>	<u>\$ 12,999,136</u>

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-6. CHANGES IN LONG-TERM BONDED DEBT**  
**SEPTEMBER 30, 2019**

	<b>Bond Issues</b>				<b>Total</b>
	<b>Series 2012</b>	<b>Series 2012A</b>	<b>Series 2016</b>	<b>Series 2019</b>	
Interest Rate	2.0% to 4.50%	3.75% to 4.125%	2.0% to 4.0%	3.0% to 4.0%	
Dates Interest Payable	3/1, 9/1	3/1, 9/1	3/1, 9/1	3/1, 9/1	
Original Maturity Dates	9/1/2022	9/1/2037	9/1/2041	9/1/2034	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 3,970,000	\$ 3,120,000	\$ 2,125,000	\$ -	\$ 9,215,000
Bonds Sold During the Current Fiscal Year	-	-	-	3,920,000	3,920,000
Retirements During the Current Fiscal Year:					
Principal	(205,000)	-	(5,000)	(5,000)	(215,000)
Refunded	(3,105,000)	(885,000)	-	-	(3,990,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 660,000</u>	<u>\$ 2,235,000</u>	<u>\$ 2,120,000</u>	<u>\$ 3,915,000</u>	<u>\$ 8,930,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 94,721</u>	<u>\$ 107,773</u>	<u>\$ 64,912</u>	<u>\$ 76,585</u>	<u>\$ 343,991</u>
Paying Agent's Name & Address:	<u>UMB Bank, N.A.</u> <u>Dallas, TX</u>				
Bond Authority:	<u>Tax Bonds *</u>	<u>Refunding Bonds</u>			
Amount Authorized by Voters	\$ 24,685,000	\$ 37,027,500			
Amount Issued	<u>(10,185,000)</u>	<u>(1,080,313)</u>			
Remaining To Be Issued	<u>\$ 14,500,000</u>	<u>\$ 35,947,187</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 Investment balances as of September 30, 2019:	<u>\$ 791,855</u>
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:	<u>\$ 590,870</u>

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES -**  
**GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS**  
**SEPTEMBER 30, 2019**

	Amounts					Percent of Fund Total Revenues				
	2019	2018	2017	2016	2015	2019	2018	2017	2016	2015
<b>GENERAL FUND REVENUES AND OTHER FINANCING SOURCES:</b>										
Property taxes, including penalties and interest	\$ 322,578	\$ 270,720	\$ 202,755	\$ 198,676	\$ 135,597	27.5%	21.5%	17.7%	17.7%	12.8%
Service revenues, including penalties	815,946	966,344	928,995	917,862	916,687	69.5%	76.7%	81.5%	81.9%	86.9%
Interest	35,409	23,001	8,677	3,844	2,867	3.0%	1.8%	0.8%	0.4%	0.3%
Other	-	-	71	-	107	-	-	-	-	-
<b>TOTAL GENERAL FUND REVENUES AND OTHER FINANCING SOURCES</b>	<b>1,173,933</b>	<b>1,260,065</b>	<b>1,140,498</b>	<b>1,120,382</b>	<b>1,055,258</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES:</b>										
Water/wastewater purchases	641,538	646,337	605,428	593,162	584,823	54.6%	51.3%	53.1%	52.9%	55.4%
Garbage collection fees	119,218	115,080	112,337	109,391	107,099	10.2%	9.1%	9.7%	9.9%	10.2%
Repairs/maintenance	238,105	70,189	82,866	41,903	85,013	20.3%	5.6%	7.3%	3.7%	8.1%
Operations/management fee	78,215	67,275	68,206	67,290	69,112	6.7%	5.3%	6.0%	6.0%	6.5%
Utilities/telephone	11,936	13,088	14,142	12,788	14,757	1.0%	1.0%	1.2%	1.1%	1.4%
Easement mowing	8,750	8,750	8,750	8,750	7,875	0.7%	0.7%	0.8%	0.8%	0.7%
Security lights	8,708	13,428	13,291	13,404	13,548	0.7%	1.1%	1.2%	1.2%	1.3%
Director fees, including payroll taxes	7,266	8,235	7,428	6,782	6,620	0.6%	0.7%	0.7%	0.6%	0.6%
Legal fees	86,759	57,001	45,603	45,373	45,969	7.4%	4.5%	4.0%	4.0%	4.4%
Engineering fees	9,512	3,246	2,245	3,227	-	0.8%	0.3%	0.2%	-	-
Accounting fees	23,700	23,700	23,350	23,350	23,700	2.0%	1.9%	2.0%	2.1%	2.2%
Audit fees	12,500	12,500	12,000	12,000	11,500	1.1%	1.0%	1.0%	1.1%	1.1%
Other consulting fees	724	8,206	570	611	455	0.1%	0.7%	-	-	-
Insurance	6,233	5,838	5,412	5,284	5,070	0.5%	0.4%	0.5%	0.5%	0.5%
Tax appraisal/collection	1,618	1,624	1,260	1,303	945	0.1%	0.1%	0.1%	0.1%	0.1%
Public notice	3,857	6,690	3,613	3,527	3,527	0.3%	0.5%	0.3%	0.3%	0.3%
Other	3,973	5,107	5,040	3,004	3,415	0.3%	0.4%	0.5%	0.3%	0.4%
Capital outlay	-	-	-	-	22,396	-	-	-	-	2.1%
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>1,262,612</b>	<b>1,066,294</b>	<b>1,011,541</b>	<b>951,149</b>	<b>1,005,824</b>	<b>107.4%</b>	<b>84.6%</b>	<b>88.6%</b>	<b>84.6%</b>	<b>95.3%</b>
<b>EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES</b>										
	<b>\$ (88,679)</b>	<b>\$ 193,771</b>	<b>\$ 128,957</b>	<b>\$ 169,233</b>	<b>\$ 49,434</b>	<b>-7.4%</b>	<b>15.4%</b>	<b>11.4%</b>	<b>15.4%</b>	<b>4.7%</b>
<b>DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES:</b>										
Property taxes, including penalties and interest	\$ 733,803	\$ 624,241	\$ 625,659	\$ 558,730	\$ 560,041	76.1%	97.7%	99.1%	99.7%	99.8%
Interest	24,498	14,743	5,841	1,959	1,126	2.5%	2.3%	0.9%	0.3%	0.2%
Proceeds from refunding, net of payment to escrow agent	(78,356)	-	-	-	-	-8.1%	-	-	-	-
Bond premium	284,969	-	-	-	-	29.5%	-	-	-	-
<b>TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES</b>	<b>964,914</b>	<b>638,984</b>	<b>631,500</b>	<b>560,689</b>	<b>561,167</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>DEBT SERVICE FUND EXPENDITURES:</b>										
Tax appraisal/collection	3,591	3,737	3,888	3,663	3,892	0.4%	0.6%	0.6%	0.7%	0.7%
Financial advisor fees	1,606	1,624	1,760	1,719	4,375	0.2%	0.3%	0.3%	0.3%	0.8%
Bond principal	215,000	200,000	190,000	175,000	165,000	22.3%	31.3%	30.1%	31.2%	29.4%
Bond interest	343,991	356,587	364,659	304,455	309,680	35.6%	55.8%	57.7%	54.3%	55.2%
Bond issue costs	203,105	-	-	-	-	21.0%	-	-	-	-
Fiscal agent fees and other	1,200	1,500	2,920	1,500	1,200	0.1%	0.2%	0.5%	0.3%	0.2%
<b>TOTAL DEBT SERVICE FUND EXPENDITURES</b>	<b>768,493</b>	<b>563,448</b>	<b>563,227</b>	<b>486,337</b>	<b>484,147</b>	<b>79.6%</b>	<b>88.2%</b>	<b>89.2%</b>	<b>86.8%</b>	<b>86.3%</b>
<b>EXCESS OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES</b>										
	<b>\$ 196,421</b>	<b>\$ 75,536</b>	<b>\$ 68,273</b>	<b>\$ 74,352</b>	<b>\$ 77,020</b>	<b>20.4%</b>	<b>11.8%</b>	<b>10.8%</b>	<b>13.2%</b>	<b>13.7%</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>										
	<b>689</b>	<b>683</b>	<b>682</b>	<b>682</b>	<b>686</b>					
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>										
	<b>681</b>	<b>675</b>	<b>680</b>	<b>680</b>	<b>680</b>					

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
SEPTEMBER 30, 2019**

**Complete District Mailing Address:** c/o Armbrust & Brown, PLLC  
100 Congress Ave., Suite 1300  
Austin TX 78701

**District Business Telephone Number:** (512) 435-2300

**Submission Date of the most recent District  
Registration Form TWC Sections 36.054 & 49.054:** May 15, 2019

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

<u>Name and Address:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 9/30/2019</u>	<u>Expense Reimbursements 9/30/2019</u>	<u>Title at Year End</u>
<b><i>Board Members:</i></b>				
<b>HAROLD D. BAUGHMAN</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 1,350	\$ -	President
<b>KARAN K. BAYES</b>	(Elected) 11/6/2016 - 11/3/2020	\$ 1,500	\$ -	Vice-President
<b>MERLE L. MILLER</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 1,200	\$ -	Secretary
<b>WILLIAM J. MARTIN</b>	(Elected) 11/6/2018 - 11/8/2022	\$ 1,350	\$ -	Treasurer
<b>JOHN F. BELLANCA</b>	(Appointed) 11/16/2016 - 11/3/2020	\$ 1,350	\$ -	Assistant Sec. / Treasurer

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

***Consultants:***

<b>Crossroads Utility Services, LLC</b>	11/10/2010	\$ 161,245	\$ -	District Manager
<b>Armbrust &amp; Brown, PLLC</b>	9/6/2001	\$ 99,513	\$ -	Attorney
		\$ 30,000	\$ -	Bond Related Services
<b>Bott &amp; Douthitt, PLLC</b>	7/1/2009	\$ 23,700	\$ 310	District Accountant
<b>Maxwell Locke &amp; Ritter LLP</b>	8/1/2008	\$ 12,500	\$ -	Auditor
<b>Jones-Heroy &amp; Associates, Inc.</b>	3/28/2018	\$ 11,245	\$ -	Engineer
<b>Public Finance Group LLC</b>	3/19/2014	\$ 2,330	\$ -	Financial Advisor
		\$ 56,700	\$ -	Bond Related Services
<b>McCall Parkhurst &amp; Horton, LLP</b>	9/6/2001	\$ 62,463	\$ -	Bond Counsel
<b>Travis County Tax Collector</b>	9/12/2002	\$ 1,140	\$ -	Tax Collector

**OTHER  
SUPPLEMENTAL INFORMATION**

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**OSI-1. PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2019**

Taxpayer	Type of Property	Tax Roll Year		
		2019	2018	2017
Centex Land Ltd.	N/A	\$ 3,187,168	\$ -	\$ -
Homeowner	N/A	503,400	499,154	445,743
Homeowner	N/A	499,634	493,714	443,082
American Homes 4 Rent	N/A	397,387	380,243	345,301
Sierra Halo LLC	N/A	393,532	362,702	337,195
Homeowner	N/A	344,261	345,044	306,427
Boucvault Investments LLC	N/A	336,170	335,298	-
Homeowner	N/A	320,389	307,239	288,651
Canyon Clay LLC	N/A	314,400	316,450	275,309
King Cole Property Solutions LLC	N/A	297,065	300,881	269,548
Homeowner	N/A	-	-	282,374
Homeowner	N/A	-	283,790	257,509
<b>Total</b>		<b>\$ 6,593,406</b>	<b>\$ 3,624,515</b>	<b>\$ 3,251,139</b>
Percent of Assessed Valuation		<b>5.4%</b>	3.2%	3.2%

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14**  
**OSI-2. ASSESSED VALUE BY CLASSIFICATION**  
**SEPTEMBER 30, 2019**

Type of Property	Tax Roll Year					
	2019		2018		2017	
	Amount	%	Amount	%	Amount	%
Single Family	\$ 126,251,542	103.5%	\$ 126,825,830	112.3%	\$ 114,120,171	112.0%
Vacant Lot	109,253	0.1%	109,253	0.1%	107,596	0.1%
Qualified Ag Land	5,360,799	4.4%	8,469,458	7.5%	12,099,226	11.9%
Non-Qualified Land	3,000	-	3,000	-	3,000	-
Farm or Ranch Improvements	3,145,395	2.6%	31,750	-	44,810	-
Commercial Real Property	124,368	0.1%	96,426	0.1%	97,382	0.1%
Commercial Personal Property	182,752	0.1%	170,607	0.2%	116,454	0.1%
Telephone Company	3,437	-	2,358	-	2,397	-
Totally Exempt Property	5,460	-	5,460	-	4,023	-
Less: Adjustments	(13,187,592)	-10.8%	(22,779,924)	-20.2%	(24,695,429)	-24.2%
<b>Total Taxable</b>	<b>\$ 121,998,414</b>	<b>100.0%</b>	<b>\$ 112,934,218</b>	<b>100.0%</b>	<b>\$ 101,899,630</b>	<b>100.0%</b>

**APPENDIX B**  
**FORM OF BOND COUNSEL OPINION**

May 20, 2020

**TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14  
UNLIMITED TAX REFUNDING BONDS, SERIES 2020  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,395,000**

**AS BOND COUNSEL FOR TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 14** (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on February 26, 2020 authorizing the issuance of the Bonds and the pricing certificate of the pricing officer as authorized in the order (collectively, the "Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, and other documents authorizing and relating to the issuance of 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 C**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**



## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

A subsidiary of Assured Guaranty Municipal Holdings Inc.  
1633 Broadway, New York, N.Y. 10019  
(212) 974-0100