

This Official Notice of Sale does not alone constitute an invitation for bids on the Bonds but is merely notice of the sale of the Bonds described herein. The invitation for bids is being made by means of this Official Notice of Sale, the Official Bid Form attached hereto and the Preliminary Official Statement. Information contained in this Official Notice of Sale is qualified in its entirety by the detailed information contained in the Official Statement.

## OFFICIAL NOTICE OF SALE

### WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12 (A political subdivision of the State of Texas located within Williamson County)

#### \$9,075,000 UNLIMITED TAX BONDS, SERIES 2016A

The Bonds are obligations of Williamson County Municipal Utility District No. 12 (the "District") and are not obligations of the City of Leander, Liberty Hill Independent School District, Williamson County, the State of Texas, or any entity other than the District.

**The District WILL NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.**

### THE SALE

**BONDS OFFERED FOR SALE BY COMPETITIVE BIDDING:** The Board of Directors (the "Board") of the District is inviting competitive bids for the purchase of \$9,075,000 Unlimited Tax Bonds, Series 2016A (the "Bonds"). Bids may be submitted by either of three alternative procedures: (1) sealed, written bids; (2) electronic bids; or (3) telephone or facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Specialized Public Finance Inc. assumes any responsibility or liability for a prospective bidding procedure.

The District and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of bids by telephone, facsimile or electronic options.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

**PROCEDURE NUMBER 1: SEALED, WRITTEN BIDS:** Sealed bids, plainly marked "Bid for Bonds", should be addressed to "President and Board of Directors, Williamson County Municipal Utility District No. 12", and should be delivered to the District's Financial Advisor, Dan Wegmiller, Specialized Public Finance Inc., at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 10:00 A.M., CDT, on Thursday, October 6, 2016 (the "Sale Date").

**PROCEDURE NUMBER 2: ELECTRONIC BIDDING PROCEDURES:** Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 10:00 A.M., CDT, on the Sale Date. ***Bidders must also submit, prior to 10:00 A.M., CDT, on the Sale Date, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.***

Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Dalcomp/Parity, 395 Hudson Street, New York, New York 10014, attention: Jennifer Emery (212) 806-8304.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to either bidding system. An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither Specialized Public Finance Inc. nor the District shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

**All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form. If any provisions of this Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control.**

For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "Basis of Award" below.

**PROCEDURE NUMBER 3: BIDS BY TELEPHONE OR FACSIMILE:** Bidders must submit prior to 10:00 A.M., CDT, on the Sale Date, SIGNED OFFICIAL BID FORMS to Dan Wegmiller, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, and submit their bid by telephone or facsimile (fax) by 10:00 A.M., CDT, on the Sale Date.

Telephone bids will be accepted at (512) 275-7300, between 9:30 A.M. and 10:00 A.M., CDT on the Sale Date.

Fax bids must be received between 9:30 A.M. and 10:00 A.M., CDT, on the Sale Date at (512) 275-7305, attention: Dan Wegmiller.

**PLACE AND TIME OF BID OPENING:** The Board will award the sale of the Bonds at the offices of Armbrust & Brown, PLLC located at 100 Congress Avenue, Suite 1300, Austin, Texas 78701, at 12:00 Noon, CDT, on Thursday, October 6, 2016. All bids, including those being hand delivered, must be received by 10:00 A.M., CDT on the Sale Date. Any bid received after the scheduled time for receipt will not be accepted by the Board and will be returned unopened.

**AWARD OF THE BONDS:** The District will take action to award the Bonds or reject any or all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder (the “Initial Purchaser”), the Board will adopt an order authorizing the issuance of the Bonds (the “Bond Resolution”). Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Resolution, to which Bond Resolution reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.

**WITHDRAWAL OF THE BIDS:** Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for five hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

**EXTENSION OF SALE DATE:** The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 3:00 P.M., CDT, on Wednesday, October 5, 2016 of the new date and time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

**MUNICIPAL BOND RATING** . . . The Bonds and the outstanding debt of the District have been rated “Baa3” by Moody’s Investors Service, Inc. (“Moody’s”) without regard to credit enhancement.

**MUNICIPAL BOND INSURANCE** . . . In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. Any fees to be paid to any rating agency as a result of said insurance will be paid by the District. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any downgrade by the rating agency of the bond insurance provider shall not relieve the Initial Purchaser of its obligation under the heading “DELIVERY AND ACCOMPANYING DOCUMENTS.”

## THE BONDS

**DESCRIPTION OF THE BONDS:** The Bonds will be dated November 1, 2016 and interest will accrue from the date of initial delivery. Interest will be payable on February 15, 2017, and on each August 15 and February 15 thereafter until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of \$5,000 or any integral multiple of \$5,000 for any one maturity, and principal and interest will be paid by BOKF, NA (the “Paying Agent/Registrar”) which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See the Preliminary Official Statement (made a part hereof) for a more complete description of the Bonds, including redemption provisions. The Bonds will mature on August 15 in the years and amounts as follows:

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## MATURITY SCHEDULE

Maturity	Principal Amount	Maturity	Principal Amount
2019	\$ 155,000	2033	\$ 305,000
2020	165,000	2034	325,000
2021	170,000	2035	340,000
2022	180,000	2036	355,000
2023	190,000	2037	375,000
2024	200,000	2038	390,000
2025	210,000	2039	410,000
2026	220,000	2040	435,000
2027	230,000	2041	455,000
2028	240,000	2042	475,000
2029	255,000	2043	500,000
2030	265,000	2044	525,000
2031	280,000	2045	550,000
2032	295,000	2046	580,000

**OPTIONAL REDEMPTION PROVISIONS:** Bonds maturing on and after August 15, 2024, are subject to redemption prior to maturity, at the option of the District, in whole or, from time to time in part, on August 15, 2023, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District.

**MANDATORY SINKING FUND REDEMPTION:** If the successful bidder designates principal amounts to be combined into one or more term bonds (“Term Bonds”), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the captioned “MATURITY SCHEDULE.” Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of Term Bonds to be mandatorily redeemed in each year shall be reduced by the principal amount of Term Bonds that have been redeemed in such year and have not been the basis for any prior optional redemption.

**OTHER TERMS AND COVENANTS:** Other terms of the Bonds and various covenants of the District are contained in the Bond Resolution, which is described in the Preliminary Official Statement, to which reference is made for all purposes.

**SOURCE AND SECURITY OF PAYMENT:** The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Leander, Liberty Hill Independent School District, Williamson County, the State of Texas, or any entity other than the District.

**BOOK-ENTRY-ONLY SYSTEM:** The District intends to utilize the book-entry-only system of DTC. See “THE BONDS – Book-Entry-Only System” in the Preliminary Official Statement.

**REGISTERED FORM REQUIREMENT:** Section 149(a) of the Internal Revenue Code of 1986, as amended, requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) must be in registered form in order for the interest payable on such obligations to be excluded from the Registered Owners’ income for federal income tax purposes.

**SUCCESSOR PAYING AGENT/REGISTRAR:** Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a corporation organized and doing business under the laws of the United States of America or any state thereof subject to supervision or examination by federal or state banking authorities.

## CONDITIONS OF THE SALE

**TYPES OF BIDS AND INTEREST RATES:** The Bonds will be sold in one block on an “all or none” basis at a price of not less than ninety-seven percent (97%) of the par value. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. The highest rate bid may not exceed the lowest rate bid by more than 3% in rate. Using the interest rate established for the 2024 maturity as the base year, interest rates for successive maturities shall be structured in ascending order such that for each succeeding maturity, rates shall be equal to or greater than the interest rate for the maturity of the preceding year. No limitation is imposed upon bidders as to the number of rates or changes which may be used. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid. No bid generating a cash premium greater than \$5,000 will be considered.

### **ADDITIONAL CONDITION OF AWARD — DISCLOSURE OF INTERESTED PARTY FORM:**

**New obligation of the District to receive information from winning bidder.** Effective January 1, 2016, pursuant to Texas Government Code Section 2252.908 (the “Interested Party Disclosure Act”), the District may not award the Bonds to the winning bidder unless the bidder has submitted a Certificate of Interested Parties Form 1295 (the “Disclosure Form”) to the District prior to such award, as prescribed by the Texas Ethics Commission (“TEC”). In the event that the bidder’s bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid, and will obligate the bidder to promptly file a completed Disclosure Form, as described below, in order to complete the award.

**Process for completing the Disclosure Form.** Reference should be made the Disclosure Form, the rules of the TEC with respect to the Disclosure Form (the “Disclosure Rules”) and the Interested Party Disclosure Act. Instructional information regarding such matters are set forth at [https://www.ethics.state.tx.us/whatsnew/elf\\_info\\_form1295.htm](https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm). For purposes of completing the Disclosure Form the Initial Purchaser will need the following information: (a) item 2 – name of governmental entity: Williamson County Municipal Utility District No. 12 and (b) item 3 – the identification number assigned to this contract by the District: Williamson MUD #12 Bonds, Series 2016A and a description of the services to be provided under the contract: Purchase of Bonds. The Interested Party Disclosure Act and the Disclosure Rules require a business entity contracting with the District to complete the form at the TEC Internet “portal” that may be accessed at the url set forth above, and then print, sign and deliver the Disclosure Form in physical form to the District. Following the award of the Bonds, the District will acknowledge receipt of the completed Disclosure Form through the TEC website, as required by the law.

Preparations and for completion, and the significance of, the reported information. In accordance with the Interested Party Disclosure Act, the information reported by the bidder MUST BE ACKNOWLEDGED BY AND SUBMITTED UNDER A NOTARY STAMP. No exceptions may be made to that requirement. The Interested Party Disclosure Act provides that such acknowledgment is made “under oath and under penalty of perjury.” Consequently, a bidder should take appropriate steps prior to completion of the Disclosure Form to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the Disclosure Form. Time will be of the essence in submitting the form to the District, and no award will be made by the District of the Bonds until a completed Disclosure Form is received. The District reserves the right to reject any bid that is not accompanied by a completed Disclosure Form, as described herein. Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

**IMPACT OF BIDDING SYNDICATE ON AWARD:** For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

**BASIS OF AWARD:** For the purpose of awarding the sale of the Bonds, the interest cost of each bid will be computed by determining, at the interest rate or rates specified therein, the total dollar value of all interest on the Bonds from the date of initial delivery to their respective maturities and adding thereto any discount bid, if any, or subtracting therefrom any premium bid, if any. The District reserves the right to reject any or all bids and to waive any and all irregularities except time of filing. Subject to such rights, the Bonds will be awarded to the bidder whose bid, under the above computation, produces the lowest net effective interest rate to the District. In the event mathematical discrepancies between the interest rate or rates and the interest costs determined therefrom, as both appear on the Official Bid Form, the bid will be solely governed by the interest rates shown on the Official Bid Form.

In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Initial Purchaser will be required to provide the District with a breakdown of its “underwriting spread” among the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

**GOOD FAITH DEPOSIT:** A Good Faith Deposit, payable to the “Williamson County Municipal Utility District No. 12”, in the amount of \$181,500, is required. Such Good Faith Deposit shall be a bank cashier’s check or certified check, which is to be retained uncashed by the District pending the Initial Purchaser’s compliance with the terms of the bid and the Notice of Sale and Bidding Instructions. The Good Faith Deposit may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids, and shall be accompanied by instructions from the bank on which drawn which authorize its use as a Good Faith Deposit by the Initial Purchaser who shall be named in such instructions. **The Good Faith Deposit of the Initial Purchaser will be returned to the Initial Purchaser upon payment for the Bonds.** No interest will be allowed on the Good Faith Deposit. In the event the Initial Purchaser should fail or refuse to take up and pay for the Bonds in accordance with the bid, then said check shall be cashed and accepted by the District as full and complete liquidated damages. The checks accompanying bids other than the winning bid will be returned immediately after the bids are opened, and an award of the Bonds has been made.

## **DELIVERY AND ACCOMPANYING DOCUMENTS**

**INITIAL DELIVERY OF INITIAL BONDS:** Initial delivery (“Initial Delivery”) will be accomplished by the issuance of one initial bond payable in installments (the “Initial Bond”), either in typed or printed form, in the aggregate principal amount of \$9,075,000, registered in the name of the Initial Purchaser, manually signed by the President or Vice President and Secretary or Assistant Secretary of the Board, or executed by the facsimile signatures of the President or Vice President and Secretary or Assistant Secretary of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to DTC in connection with DTC’s book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in Austin, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Initial Purchaser will be given six (6) business days’ notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about November 3, 2016, and subject to the aforementioned notice it is understood and agreed that the Initial Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., CDT, on November 3, 2016, or thereafter on the date the Bonds are tendered for delivery, up to and including November 17, 2016. If for any reason the District is unable to make delivery on or before November 17, 2016, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend its offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation.

**CUSIP NUMBERS:** It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Initial Purchaser at the time the Bonds are awarded or as soon thereafter as practicable.

**CONDITIONS TO DELIVERY:** The obligation to take up and pay for the Bonds is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Initial Purchaser’s receipt of the Initial Bond, the legal opinion of Bond Counsel, and the No-Litigation Certificate, all of which are described herein, and the non-occurrence of the events described below under the caption “No Material Adverse Change.” In addition, if the District fails to comply with its obligations described in the Preliminary Official Statement, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

**LEGAL OPINIONS:** The District will furnish without cost to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General 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 binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and, based upon an examination of such transcript of proceedings, the approving legal opinion of Allen Boone Humphries Robinson LLP, Austin, Texas, to a like effect and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

**CERTIFICATION REGARDING OFFERING PRICE OF BONDS:** In order to provide the District with information to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the “Code”) relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Initial Purchaser will be required to complete, execute and deliver to the District (on or before the date of delivery of the Bonds) a certification regarding “issue price” substantially in the form accompanying this Official Notice of Sale. If the Initial Purchaser will not reoffer the Bonds for sale or has not sold a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser’s inability to certify actual sales of Bonds at a particular price prior to delivery. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to

institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

**NO-LITIGATION CERTIFICATE:** With the delivery of the Bonds, the President and Secretary or Assistant Secretary of the Board will, on behalf of the District, execute and deliver to the Initial Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the best knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and directors of the Board.

**NO MATERIAL ADVERSE CHANGE:** The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District from those set forth in or contemplated by the Official Statement, as it may have been supplemented or amended through the date of sale.

## GENERAL CONSIDERATIONS

**INVESTMENT CONSIDERATIONS:** The Bonds involve certain investment considerations. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption "RISK FACTORS."

**RESERVATION OF RIGHTS:** The District reserves the right to reject any and all bids and to waive any and all irregularities except the time of filing.

**NOT AN OFFER TO SELL:** This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

**FINAL OFFICIAL STATEMENT:** The District has prepared and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version for such purpose except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates and the purchase price bid by the Initial Purchaser and the initial public offering yields as provided by the Initial Purchaser to the District, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(e)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Preliminary Official Statement under "PREPARATION OF OFFICIAL STATEMENT – Certification of Official Statement."

**CHANGES TO OFFICIAL STATEMENT:** If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from the Municipal Securities Rulemaking Board but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described above. See "DELIVERY AND ACCOMPANYING DOCUMENTS – Conditions to Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

**DELIVERY OF OFFICIAL STATEMENTS:** The District will furnish Official Statements to the Initial Purchaser (and to each participating member of the underwriting syndicate, if any, of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as

described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may reasonably request as described above in “GENERAL CONSIDERATIONS – Changes to Official Statement.”

**REGISTRATION AND QUALIFICATION OF BONDS FOR SALE:** The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and 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 acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated 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. By submission of its bid, the Initial Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Initial Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Initial Purchaser, at the Initial Purchaser’s written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

**CONTINUING DISCLOSURE:** The District will agree in the Bond Resolution to provide certain periodic information and notices of certain events in accordance with the Rule, as described in the Preliminary Official Statement under “CONTINUING DISCLOSURE OF INFORMATION.” The Initial Purchaser’s obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser(s) or its (their) agent of a certified copy of the Bond Resolution containing the agreement described under such heading.

**ADDITIONAL COPIES OF DOCUMENTS:** Additional copies of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form may be obtained from the Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

F. Hagen McMahan, Jr.  
President, Board of Directors  
Williamson County Municipal Utility District No. 12

THE DATE OF THIS OFFICIAL NOTICE OF SALE IS SEPTEMBER 22, 2016.

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**OFFICIAL BID FORM**

President and Board of Directors  
 Williamson County Municipal Utility District No. 12  
 100 Congress Avenue, Suite 1300  
 Austin, Texas 78701

Board Members:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement dated September 22, 2016, relating to the Williamson County Municipal Utility District No. 12 (the "District") \$9,075,000 Unlimited Tax Bonds, Series 2016A (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment risks, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of \$9,075,000, we will pay you a price of \$ \_\_\_\_\_, representing \_\_\_\_\_% of the par value. Such Bonds mature August 15, in each of the years and in the amounts and interest rates shown below:

Maturity (August 15)	Principal Amount	Interest Rate	Maturity (August 15)	Principal Amount	Interest Rate
2019	\$ 155,000	%	2033	\$ 305,000	%
2020	165,000	%	2034	325,000	%
2021	170,000	%	2035	340,000	%
2022	180,000	%	2036	355,000	%
2023	190,000	%	2037	375,000	%
2024	200,000	%	2038	390,000	%
2025	210,000	%	2039	410,000	%
2026	220,000	%	2040	435,000	%
2027	230,000	%	2041	455,000	%
2028	240,000	%	2042	475,000	%
2029	255,000	%	2043	500,000	%
2030	265,000	%	2044	525,000	%
2031	280,000	%	2045	550,000	%
2032	295,000	%	2046	580,000	%

Of the principal maturities set forth in the table above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond or no term bond if none is indicated). For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years except that the amount shown in the year of the term bond maturity date shall mature in such year. The term bonds created are as follows:

Term Bond Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____
_____	_____	\$ _____	% _____

Our calculation (which is not a part of this bid) of the interest cost from the above is:

TOTAL INTEREST COST FROM 11/3/2016	\$ _____
PLUS DOLLAR AMOUNT OF DISCOUNT	\$ _____
NET INTEREST COST	\$ _____
NET EFFECTIVE INTEREST RATE	_____%

The initial Bonds shall be registered in the name of \_\_\_\_\_ (syndicate manager). We will advise BOKF, NA, the Paying Agent/Registrar, on forms to be provided by the Paying Agent/Registrar, of our registration instructions at least five (5) business days prior to the date set for Initial Delivery. We will not ask the Paying Agent/Registrar to accept any registration instructions after the five (5) day period.

We are having the Bonds insured by \_\_\_\_\_ at a premium of \$ \_\_\_\_\_, **said premium to be paid by the Initial Purchaser.** Any fees to be paid to the rating agency as a result of said insurance **will be paid by the District.**

A wire transfer or a cashiers or certified check to the District in the amount of \$181,500 will be made available in accordance with the NOTICE OF SALE made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the NOTICE OF SALE, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us. Please check the box below to designate your Good Faith Deposit option.

For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

Upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Certificate of Interested Parties Form 1295 (the "Form 1295") through the Texas Ethics Commission's (the "TEC") electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed, notarized and sent by email to the District's financial advisor at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746. The undersigned understands that the failure to provide the certified Form 1295 will prohibit the District from providing final written award of the enclosed bid.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

We understand the sale of the Bonds has not been registered 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 acts of any other jurisdiction. We hereby represent the sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdiction in which the Bonds are offered or sold.

We further understand that the District assumes no responsibility or obligation for the distribution or delivery of any copies of the Official Statement or other information concerning the District and the Bonds to anyone other than to us.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

\_\_\_\_\_  
Name of Initial Purchaser

\_\_\_\_\_  
Authorized Representative

\_\_\_\_\_  
Phone Number

\_\_\_\_\_  
Signature

**Please check one of the options below regarding Good Faith Deposit:**

- Submit by Wire Transfer**       
**Submit by Bank Cashier's/Certified Check**

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby in all things accepted by Williamson County Municipal Utility District No. 12, this the 6th day of October, 2016.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors  
Williamson County Municipal Utility District No. 12

\_\_\_\_\_  
President, Board of Directors  
Williamson County Municipal Utility District No. 12

**ISSUE PRICE CERTIFICATE**

The undersigned hereby certifies as follows with respect to the sale of Williamson County Municipal Utility District No. 12 (the "District") \$9,075,000 Unlimited Tax Bonds, Series 2016A (the "Bonds"):

1. The undersigned is the duly authorized representative of the purchaser (the "Initial Purchaser") of the Bonds from the District.
2. The first price for each maturity of the Bonds at which a substantial amount (at least ten percent) of such maturity is sold to the public (expressed as a percentage of principal amount and exclusive of accrued interest) is as set forth below:

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)	Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
\$ 155,000	2019	%	\$ 305,000	2033	%
165,000	2020	%	325,000	2034	%
170,000	2021	%	340,000	2035	%
180,000	2022	%	355,000	2036	%
190,000	2023	%	375,000	2037	%
200,000	2024	%	390,000	2038	%
210,000	2025	%	410,000	2039	%
220,000	2026	%	435,000	2040	%
230,000	2027	%	455,000	2041	%
240,000	2028	%	475,000	2042	%
255,000	2029	%	500,000	2043	%
265,000	2030	%	525,000	2044	%
280,000	2031	%	550,000	2045	%
295,000	2032	%	580,000	2046	%

3. In the case of the Retained Maturities, the Initial Purchaser reasonably expected on the offering date to sell a substantial amount (i.e., at least ten (10) percent) of each Retained Maturity at the initial offering price/yield as set forth below:

Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)	Principal Amount Maturing	Year of Maturity	Offering Price (%/Yield)
\$ 155,000	2019	%	\$ 305,000	2033	%
165,000	2020	%	325,000	2034	%
170,000	2021	%	340,000	2035	%
180,000	2022	%	355,000	2036	%
190,000	2023	%	375,000	2037	%
200,000	2024	%	390,000	2038	%
210,000	2025	%	410,000	2039	%
220,000	2026	%	435,000	2040	%
230,000	2027	%	455,000	2041	%
240,000	2028	%	475,000	2042	%
255,000	2029	%	500,000	2043	%
265,000	2030	%	525,000	2044	%
280,000	2031	%	550,000	2045	%
295,000	2032	%	580,000	2046	%

4. Please choose the appropriate statement:

The Initial Purchaser will not purchase bond insurance for the Bonds.

The Initial Purchaser will purchase bond insurance from \_\_\_\_\_ (the "Insurer") for a fee/premium of \$\_\_\_\_\_ (the "Fee"). The Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. The Initial Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

5. None of the issue prices described above exceeds the fair market value for such Bonds on the sale date.
6. The term "public," as used herein, does not include bondhouses, brokers, dealers and similar persons or organizations acting in the capacity of underwriters or wholesalers.
7. The undersigned understands that the statements made herein will be relied upon by the District and Allen Boone Humphries Robinson LLP in complying with the conditions imposed by the Internal Revenue Code of 1986, as amended, on the exclusion of interest on the Bonds from the gross income of their owners for federal income tax purposes.

EXECUTED and DELIVERED this \_\_\_\_\_ day of \_\_\_\_\_, 2016.

Name of Purchaser

\_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

**PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 22, 2016**

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAXABLE INCOME OF INDIVIDUALS OR CORPORATIONS, EXCEPT FOR CERTAIN ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

**NEW ISSUE – BOOK-ENTRY-ONLY**

**Rating:**  
**Moody's: "Baa3"**  
**Insurance: Applied For**

**The District WILL NOT designate the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.**

**\$9,075,000**

**WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12**  
*(A political subdivision of the State of Texas located within Williamson County)*  
**UNLIMITED TAX BONDS, SERIES 2016A**

**Dated Date: November 1, 2016**

**Due: August 15, as shown on the inside cover page**

**Interest Accrues from the Date of Initial Delivery**

The bonds described above (the "Bonds") are obligations solely of Williamson County Municipal Utility District No. 12 (the "District") and are not obligations of the State of Texas ("State"), Williamson County, Liberty Hill Independent School District, the City of Leander (the "City") or any entity other than the District.

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 all taxable property within the District. THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See "RISK FACTORS."

Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Austin, Texas, (the "Paying Agent/Registrar") upon surrender of the Bonds for payment. Interest on the Bonds is payable each February 15 and August 15, commencing February 15, 2017, until maturity or prior redemption. Interest on the Bonds accrues from the date of initial delivery and will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as shown below.

The Bonds will be 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 "THE BONDS – Book-Entry-Only System."

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**CUSIP PREFIX: 97000W**  
**MATURITY SCHEDULE**  
**SEE INSIDE COVER PAGE**

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Bonds maturing on and after August 15, 2024, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 15, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption.

The Bonds are offered by the Initial Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Austin, Texas, Bond Counsel. Andrews Kurth LLP, Austin, Texas, has been engaged to serve as disclosure counsel for the offering. See "LEGAL MATTERS." Delivery of the Bonds through DTC is expected on November 3, 2016.

**BIDS DUE THURSDAY, OCTOBER 6, 2016 BY 10:00 A.M. CDT**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield <sup>(a)</sup>	CUSIP Numbers <sup>(b)</sup>
2019	\$ 155,000			
2020	165,000			
2021	170,000			
2022	180,000			
2023	190,000			
2024	200,000			
2025	210,000			
2026	220,000			
2027	230,000			
2028	240,000			
2029	255,000			
2030	265,000			
2031	280,000			
2032	295,000			
2033	305,000			
2034	325,000			
2035	340,000			
2036	355,000			
2037	375,000			
2038	390,000			
2039	410,000			
2040	435,000			
2041	455,000			
2042	475,000			
2043	500,000			
2044	525,000			
2045	550,000			
2046	580,000			

### (Interest to accrue from the Date of Initial Delivery)

- (a) Initial yield represents the initial offering yield to the public, which has been established by the Initial Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (b) CUSIP Numbers have been assigned to the Bonds by S&P Capital IQ LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.

For purposes of compliance with Rule 15c2-12 of the Securities Exchange Commission, this document constitutes an Official Statement of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by Rule 15c2-12.

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 is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this 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 Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, 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 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, the other matters described in this Official Statement until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in “PREPARATION OF OFFICIAL STATEMENT – Updating the Official Statement.”

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

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**AERIAL BOUNDARY MAP**

**PHOTOGRAPHS OF THE DISTRICT**

**APPENDIX A – AUDITED FINANCIAL STATEMENT OF THE DISTRICT**

## SALE AND DISTRIBUTION OF THE BONDS

**AWARD OF THE BONDS . . .** After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by \_\_\_\_\_ (the "Initial Purchaser") bearing the interest rates shown on the inside cover page hereof, at a price of \_\_\_\_\_ % of the par value thereof which resulted in a net effective interest rate of \_\_\_\_\_ % as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the "IBA" method).

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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

**SECURITIES LAWS . . .** No registration statement relating to the offer and sale of the Bonds has been filed with the Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein and the Bonds have not been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

## MUNICIPAL BOND RATING AND INSURANCE

The Bonds and the outstanding debt of the District have been rated "Baa3" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. Applications for municipal bond insurance have been made to various insurance companies. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser.

*(THE REMAINDER OF THIS PAGE LEFT INTENTIONALLY BLANK)*



## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described therein.

### THE DISTRICT

<i>Description</i> .....	The District is a political subdivision of the State of Texas, created by a special act of the 78 <sup>th</sup> Texas Legislature, Regular Session (Acts 2003, Chapter 760) (the “Act”), effective September 1, 2003) and confirmed pursuant to an election held within the District on August 13, 2005. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District contains 611.41 acres of land. See “THE DISTRICT.”
<i>Location</i> .....	The District is located in northwest Williamson County approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard. The District is within the extraterritorial jurisdiction of the City of Leander. Access from Ronald Reagan Boulevard is provided by Via De Sienna Boulevard, a new street constructed by the Developer. See “AERIAL BOUNDARY MAP.”
<i>The Developer</i> .....	The current developer of the District is Nash Rancho Hills, LLC (the “Developer”). See “THE DISTRICT – Status of Development” and “THE DEVELOPER – Development History.”
<i>Status of Development</i> .....	Land within the District planned for residential development is currently owned by the Developer and Rancho Sienna KC, Ltd. The Developer is developing its land within the District as Rancho Sienna, a single-family residential project. Land within the District planned for commercial development is currently owned by the Developer and Rancho Sienna KC, Ltd.

As of August 19, 2016 the District contained 305 developed acres. A total of 320 homes were completed and occupied, 12 homes were completed and unoccupied, 72 homes were under construction, and 320 lots were available for construction. As of such date, there were approximately 205 acres of undeveloped but developable land, of which approximately 60.6 acres will be used for commercial development, with the remaining 145 acres to be used for single-family residential development and approximately 100 acres of undevelopable land. Homes within the District range in price from approximately \$225,000 to over \$600,000.

<i>Homebuilders</i> .....	Homebuilders in the District are Castlerock, Chesmar Homes, Emerald Homes, Ryland Homes, Sitterle Homes, Partners in Building, D.R. Horton and Perry Homes (the “Homebuilders”). See “THE DEVELOPER – Homebuilders.”
<i>Payment Record</i> .....	The Bonds are the District’s third issuance of debt. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

### THE BONDS

<i>Description</i> .....	The Bonds are being issued pursuant to a resolution authorizing the issuance of the Bonds to be adopted by the District’s Board of Directors (the “Board”) as fully registered bonds. The Bonds are scheduled to mature on August 15 in the years 2019 through 2046. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the date of initial delivery and is payable February 15, 2017, and each August 15 and February 15 thereafter, until maturity or prior redemption. See “THE BONDS.”
<i>Book-Entry-Only</i> .....	DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.
<i>Redemption</i> .....	Bonds maturing on and after August 15, 2024, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 15, 2023, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.” Additionally, the Bonds may be subject to mandatory sinking fund redemption in the event the Initial Purchaser elects to aggregate two or more maturities as term Bonds.

<i>Use of Proceeds</i> .....	Proceeds of the Bonds will be used to pay for the items shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” In addition, Bond proceeds will be used to pay administrative costs and certain other costs and engineering fees related to the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM.”
<i>Authority for Issuance</i> .....	The Bonds are the third series of bonds issued out of an aggregate of \$111,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of purchasing and constructing a water, wastewater and/or storm drainage system and \$10,000,000 to pay for recreational facilities in the District. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS – Future Debt” and “THE BONDS – Authority for Issuance” and “– Issuance of Additional Debt.”
<i>Source of Payment</i> .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City of Leander, Liberty Hill Independent School District, Williamson County, the State of Texas or any entity other than the District. See “THE BONDS – Source of Payment.”
<i>Municipal Bond Rating</i> .....	The Bonds and the outstanding debt of the District has been rated “Baa3” by Moody’s Investors Service, Inc. (“Moody’s”) without regard to credit enhancement.
<i>Municipal Bond Insurance</i> ....	In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost therefor will be paid by the Initial Purchaser. Any fees to be paid to a rating agency as a result of said insurance will be paid by the District. It will be the responsibility of the Initial Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds.
<i>Bond Counsel</i> .....	Allen Boone Humphries Robinson LLP, Austin, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>General Counsel</i> .....	Armbrust & Brown PLLC, Austin, Texas. See “MANAGEMENT OF THE DISTRICT” and “LEGAL MATTERS.”
<i>Disclosure Counsel</i> .....	Andrews Kurth LLP, Austin, Texas.

### **RISK FACTORS**

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2013 Certified Taxable Assessed Valuation .....	\$ 16,122,769	(a)
2014 Certified Taxable Assessed Valuation .....	37,918,514	(a)
2015 Certified Taxable Assessed Valuation .....	84,469,482	(a)
2016 Certified Taxable Assessed Valuation .....	139,700,912	(a)
Gross Direct Debt Outstanding .....	\$ 17,355,000	(b)
Estimated Overlapping Debt.....	<u>11,454,348</u>	(c)
Gross Direct Debt and Estimated Overlapping Debt .....	\$ 28,809,348	
Ratios of Gross Direct Debt to:		
2016 Certified Taxable Assessed Valuation .....	12.42%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2016 Certified Taxable Assessed Valuation .....	20.62%	
Debt Service Funds Available as of September 1, 2016 .....	\$ 480,386	
General Operating Fund Balance as of September 1, 2016.....	\$ 799,077	
2016 District Debt Service Tax Rate .....	\$ 0.1115	
2016 District Maintenance Tax Rate.....	0.7385	
2016 Williamson County ESD #4 Tax Rate .....	0.1000	
2016 Williamson County Tax Rate.....	0.4765	(d)
2016 Liberty Hill Independent School District Tax Rate.....	<u>1.5400</u>	
2016 Total Overlapping Tax Rate .....	\$ 2.9665	
Estimated Average Annual Debt Service Requirement (2016-2046).....	\$ 989,087	(b,e)
Estimated Maximum Annual Debt Service Requirement (2040) .....	\$ 1,200,056	(b,e)
Tax Rates Required to Pay Average Annual Debt Service (2016-2046) at a 97.5% Collection Rate		
Based upon 2016 Certified Taxable Assessed Valuation.....	\$ 0.7262	
Tax Rates Required to Pay Maximum Annual Debt Service (2040) at a 97.5% Collection Rate		
Based upon 2016 Certified Taxable Assessed Valuation.....	\$ 0.8811	
Status of Development as of August 19, 2016:		
Homes Completed and Occupied.....	320	
Homes Completed and Unoccupied.....	12	
Homes Under Construction.....	72	
Lots Available for Home Construction .....	320	
Developed Acreage.....	305	
Undeveloped but Developable Acreage.....	205	
Undevelopable Acreage.....	100	
Estimated Population.....	1,120	(f)

- (a) As provided by the Williamson Central Appraisal District (the "Appraisal District" or "WCAD").
- (b) Includes the Bonds.
- (c) See "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt."
- (d) Includes \$0.0400 road and bridge tax rate.
- (e) Estimated for purposes of illustration, includes the Bonds. See "DEBT SERVICE REQUIREMENTS."
- (f) Based upon 3.5 persons per occupied single-family residence.

## PRELIMINARY OFFICIAL STATEMENT

\$9,075,000

### WILLIAMSON COUNTY MUNICIPAL UTILITY DISTRICT NO. 12 (A political subdivision of the State of Texas located within Williamson County) UNLIMITED TAX BONDS, SERIES 2016A

This Preliminary Official Statement provides certain information in connection with the issuance by Williamson County Municipal Utility District No. 12 (the “District”) of its \$9,075,000 Unlimited Tax Bonds, Series 2016A (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ”) and an election held within the District.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District, the developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

## RISK FACTORS

**GENERAL . . .** The Bonds are obligations solely of the District and are not obligations of the City of Leander, Liberty Hill Independent School District, Williamson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS – Source of Payment.” 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 taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “Registered Owners’ Remedies” below.

### FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS

*Economic Factors and Interest Rates:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed and developed by the Developer for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics and prospects of the urban center 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 such values; and thus increase the rate of taxation in the District.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. 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 construction within the District. In addition, although located approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the area’s metropolitan and regional economies. See “National and Regional Economy” below.

*National and Regional Economy:* Nationally, there has been a significant downturn in new housing construction caused primarily by the unavailability of mortgage funds, resulting in a decline in housing market values. The District is located in northwest Williamson County approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard. The District is within the extraterritorial jurisdiction of the City of Leander. Access from Ronald Reagan Boulevard is provided by Via De Sienna Boulevard, a new street constructed by the Developer. The District cannot predict what impact, if any, a continued downturn in the national housing market and financial markets may have on the area market. See “Maximum Impact on District Tax Rates” below.

*Competition:* The demand for and construction of single-family homes in the District could be affected by competition from other residential developments in western Williamson County, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District. The competitive position of the Developer in the sale of developed lots and of prospective builders in the construction of

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

**MAXIMUM IMPACT ON DISTRICT TAX RATES . . .** Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2016 Certified Taxable Assessed Valuation is \$139,700,912. After issuance of the Bonds, the estimated maximum debt service requirement will be \$1,200,056 (2040), and the average annual debt service requirement will be \$989,087 (2016-2046, inclusive). Assuming no increase or decrease from the 2015 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.8811 and \$0.7262 per \$100 appraised valuation at a ninety-seven and a half percent (97.5%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

While the District anticipates future increases in taxable values, it makes no representations that over the term of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by property owners.

**DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPER . . .** The ten principal taxpayers represent \$41,356,268 or 29.60% of the District's 2016 Certified Taxable Assessed Valuation of \$139,700,912. The District's homebuilders represent \$25,933,673 or 18.57% of such value. If the Developer or Homebuilders were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in its interest and sinking fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

The Developer informed the Board that their current plan is to continue building homes on existing and future lots. However, neither the Developer nor any future developer is obligated to implement development plans on any particular schedule or at all. Thus, the furnishing of information related to any proposed development should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, Homebuilders or any other landowner within the District to implement any plan of development. Furthermore, there is no restriction on any landowner's right to sell land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer or any other landowner. See "THE DEVELOPER."

**UNDEVELOPED ACREAGE . . .** All but approximately 205 acres of developable land within the District has been provided with water, wastewater and storm drainage and detention facilities as of August 19, 2016.

**DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . .** As of August 19, 2016, 320 lots were available for construction. Failure of the Developer or Homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and other tax supported debt of the District. Future increases in value will result primarily from the construction of homes by builders. See "Maximum Impact on District Tax Rates" above.

**TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES . . .** The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt" and "– Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**REGISTERED OWNERS' REMEDIES . . .** Remedies available to Registered Owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Resolution are limited. Although state law and the Bond Resolution provide that the Registered Owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised

upon each default and may prove time-consuming, costly and difficult to enforce. State law and the Bond Resolution do not provide for acceleration of maturity of the Bonds. Additionally, the Bond Resolution does not appoint a trustee to protect the interests of the Registered Owners or any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District's public purpose property.

Further, the Registered Owners themselves cannot 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 rights of the Registered Owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors' rights generally or by a State statute reasonably required to attain an important public purpose. See "Bankruptcy Limitation to Registered Owners' Rights" below.

**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. Texas law requires a municipal utility district such as the District to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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 Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into bankruptcy involuntarily.

**FUTURE DEBT . . .** The District has the right to issue obligations other than the Bonds, including tax anticipation notes, bond anticipation notes, and refunding bonds and notes and to borrow for any valid corporate purpose. After the issuance of the Bonds, the District will continue to owe the Developer approximately \$5,000,000, which is expected to be financed with future bond issues. A total of \$111,000,000 principal amount of water, wastewater and drainage bonds and \$10,000,000 for recreational facilities have been authorized by the District's voters. After the issuance of the Bonds, \$93,645,000 of water, wastewater and drainage bonds as well as \$10,000,000 for recreational facilities will remain authorized but unissued. In addition, voters may authorize the issuance of additional bonds secured by ad valorem taxes. The District is also authorized to issue bonds to refund or redeem its outstanding debt. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for, and the investment quality and value of, the Bonds.

The issuance of certain types of additional bonds and obligations are subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. The District anticipates that it may issue the full principal amount of \$93,645,000 of unissued bonds authorized for water, wastewater and drainage purposes, in installments over the next several years. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). See "THE BONDS – Issuance of Additional Debt."

**UTILITY OPERATIONS . . .** Wholesale wastewater service is provided to the District by the City of Liberty Hill ("Liberty Hill"), pursuant to the following agreements: (i) Wholesale Wastewater Service Agreement from Lower Colorado River Authority (the "LCRA") to Chisolm Trail Special Utility District ("CTSUD") for Service to the District and Williamson County Municipal Utility District No. 19 ("MUD 19") dated effective as of September 25, 2006, as supplemented by Supplemental Agreement to the Wholesale Wastewater Service Agreement from LCRA to CTSUD For Service to the District and MUD 19 dated effective as of June 19, 2009, and as amended by First Amendment to the Wholesale Wastewater Service Agreement from LCRA to CTSUD for Service to the District and MUD 19 dated effective as of September 9, 2010; (ii) the Additional Wholesale Wastewater Service Agreement (MUDS 12, 19, and 19A) between the District, MUD No. 19, Williamson County Municipal Utility District No. 19A ("MUD 19A") and Liberty Hill dated effective as of October 30, 2013, as amended by First Amendment to Additional Wholesale Wastewater Agreement (MUD Nos. 12, 19 and 19A) dated effective as of June 12, 2015; and (iii) the Interlocal Agreement Concerning Sewer Service between the Liberty Hill, the District, and MUD No. 19A dated effective as of April 22, 2013.

Retail water service is provided within the District by the City of Georgetown ("Georgetown") pursuant to the First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna KC, LP ("Rancho Sienna"), and the District, dated effective October 9, 2007 ("Original Agreement"), as amended by the First Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District dated effective December 1, 2011 ("First Amendment"), and the Second Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District ("Second Amendment"); and as affected by that certain Assignment and Assumption of Contract dated October 68, 2013 (the "Assignment"), whereby Rancho Sienna assigned all of its rights, title and interest in and to the obligations of such agreements to Developer and CTSUD consented to such assignment; and as further amended by that certain Third Amendment to First Amended and Restated

Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Developer and the District dated effective August 15, 2013 (“Third Amendment”). The Original Agreement, as amended by the First Amendment, the Second Amendment, as assigned in the Assignment, and as further amended by the Third Amendment, is referred to as the “Service Agreement.” The Service Agreement was subsequently assigned to and assumed by Georgetown.

**ENVIRONMENTAL REGULATIONS . . .** Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Regulated facilities must comply with environmental laws and regulations at the federal, state, and local levels. These laws and regulations can prohibit or restrict certain activities that may potentially affect the environment, public health or safety in various ways such as:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the location and manner in which wastes are stored, processed, disposed or released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property located in protected or environmentally sensitive locations;
- Requiring action to prevent, minimize or mitigate pollution; and
- Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the costs of planning, designing, authorizing, constructing and operating water production, wastewater treatment and stormwater drainage facilities. Sanctions against a municipal utility district or other type of special purpose district for the failure to comply with environmental laws and regulations may include a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, imposition of remedial requirements, and issuance of mandatory or prohibitory injunctions as to future compliance and operation of the municipal utility district’s water supply, wastewater treatment, and drainage facilities.

The following is a discussion of certain environmental programs and concerns that relate to municipal utility districts. 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/Greenhouse Gas Issues.*** Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the Texas Commission on Environmental Quality (the “TCEQ”) may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act (“CAA”), the five-county “Austin Area” – Travis, Hays, Williamson, Bastrop, and Caldwell counties – is currently designated as an “attainment/unclassifiable area” for all National Ambient Air Quality Standards.

Although the Austin Area is currently in attainment, the Austin Area has been and continues to be near the non-attainment threshold for ozone. In the past the Austin Area has entered into agreements with TCEQ to undertake voluntary actions to help avoid a non-attainment designation. Since 2004, the Austin Area has been under some curtailment agreement with the TCEQ. On January 1, 2014, the Austin Area entered into an Ozone Advance Program (OAP) with the TCEQ, which currently remains in effect.

In 2008 the EPA lowered the ozone standard from 85 ppb to its current level of 75 ppb (e.g. the “2008 Ozone Standard”). On May 21, 2012, the EPA published final designations for the 2008 Ozone Standard and designated the Austin Area as “attainment/unclassifiable” effective July 20, 2012. It is also possible that the Austin Area could be re-classified as nonattainment should ozone levels increase. On October 1, 2015, the EPA lowered the ozone standard from 75 parts per billion (“ppb”) to 70 ppb. This could make it more difficult for the Austin Area to demonstrate progress is reducing ozone concentration. A designation of nonattainment for ozone or any pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation.

***Water Supply and Discharge Issues.*** Water supply and discharge regulations that a municipal utility district may be required to comply with include: (1) groundwater well permitting and surface water appropriation, (2) public water supply systems, (3) wastewater discharges from treatment facilities, (4) stormwater discharges, and (5) wetlands dredge or fill activities and other operations in sensitive environments. Each of these is generally addressed below:

In the Austin area, the Barton Springs/Edwards Aquifer Conservation District (the “BSEACD”) regulates groundwater usage in the south-central portion of Travis County and extending into portions of neighboring Hays and Caldwell Counties. Additionally, regulatory proceedings have been initiated by the TCEQ concerning the possible inclusion of southwestern Travis County within the jurisdiction of the BSEACD. For any municipal utility districts located within such geographic areas expecting to rely on local groundwater as a source of supply, additional requirements and restrictions on the future drilling and/or production of groundwater could affect the technical and economic feasibility of such water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’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 to at least twenty-five (25) people or fifteen (15) service connections is subject to extensive regulation as a public water system. The extent of such regulation varies depending on the source of supply, the actual chemical characteristics of the waters encountered, and whether the system merely distributes water produced and treated by another regulated entity. 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.

A municipal utility district's wastewater collection, treatment and disposal facilities are potentially subject to regulation under both the CWA and the Texas Water Code. Under Texas law, discharges of treated sewage and other pollutants into or adjacent to waters in the State are subject to permitting and enforcement by the TCEQ. Pursuant to the CWA, the EPA has formally delegated to the TCEQ the primary authority to also regulate point source discharges of pollutants into waters of the United States. Permits issued by the TCEQ under its federally approved Texas Pollutant Discharge Elimination System (the "TPDES") program set specific enforceable limits on the quantity and quality of treated wastewater effluent discharges. The TCEQ must establish the total maximum daily loading ("TMDLs") of pollutants that can be assimilated by the impaired waterbodies and allocate those loads amongst point and nonpoint source dischargers through an implementation plan.

On May 27, 2015, the EPA and the United States Army Corps of Engineers ("USACE") jointly issued a final version of the Clean Water Rule ("CWR"), which expands the scope of the federal government's CWA jurisdiction over intrastate water bodies and wetlands. The final rule became effective on August 28, 2015. On October 9, 2015, the United States Court of Appeals for the Sixth Circuit ("Sixth Circuit") put the CWR on hold nationwide. On February 22, 2016, the Sixth Circuit decided it has jurisdiction to consider lawsuits against the CWR, and on April 21, 2016, denied six petitions for a banc review of this decision. A Petition for Writ of Certiorari was filed on September 2, 2016 appealing to the Supreme Court to the Sixth Circuit's decision that it has jurisdiction to consider lawsuits against the CWR. If the CWR is implemented, operations of municipal utility districts, including the District, are potentially subject to additional restrictions and requirements, including permitting requirements, if construction or maintenance activities require the dredging, filling or other physical alteration of jurisdictional waters of the United States or associated wetlands that are within the "waters of the United States." The CWR expands the federal definition of what is a jurisdictional water, which could negatively impact development in the District.

Municipal utility district operations are also potentially subject to stormwater discharge permitting and compliance obligations under the CWA and implementing federal and state regulations. Under the TPDES program, the TCEQ has promulgated rules and issued several general permits for stormwater discharges associated with industrial activities and stormwater discharges associated with small, medium and large municipal separate storm sewer systems ("MS4s"). Municipal utility districts are required by such permits to develop and implement stormwater pollution prevention plans ("SWP3s") or stormwater management plans ("SWMPs") for controlling the introduction of pollutants into surface waters in the State and must comply with any applicable numeric or non-numeric effluent limitation guidelines ("ELGs") and new source performance standards ("NSPS"). The TCEQ finished the process of renewing the general permit for small MS4s, which expired August 12, 2012. The TCEQ issued its new small MS4 general permit on December 13, 2013. Notification letters were mailed on December 11, 2013 to new and existing MS4 entities. The TCEQ identified many new MS4s through various sources, including the 2010 U.S. Census Bureau delineation of urbanized areas and population density. However, not all new MS4s have been identified, and it is still the responsibility of the MS4 to apply with the TCEQ even though it might not have received a notification letter.

In addition to the foregoing, municipal utility district activities involving the clearing of acreage and construction within the Edwards Aquifer recharge, transition and contributing zones in the Austin Area are subject to the TCEQ's Edwards Aquifer Protection Program, which requires a site-specific application, construction plan approval, and the implementation of temporary and permanent, structural and non-structural BMPs and the protection of sensitive features.

**Storm Water** . . . 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 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 recently proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormsewer systems. The District may be potentially subject to stormwater discharge permitting requirements under each of these general permitting programs. Moreover, the District may be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans and in connection with the installation or performance of 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.

**OVERLAPPING AND COMBINED TAX RATES** . . . The tax rate projections for the District reflects a composite tax rate including the District's debt service and/or maintenance taxes, not to exceed \$2.8352 per \$100 of assessed valuation. However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct unlimited tax bonds issued by the District, regulatory approvals, construction costs and interest rates. There can be no assurances that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Williamson County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The projections for the District are



consistent with the rules of the TCEQ. If the total combined tax rate of the District should ever exceed \$1.20, the District could be prohibited under rules of the TCEQ from selling additional bonds.

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

**EFFECTS OF PLANNED COMMUNITY . . .** The Developer has no legal obligation to the District to carry out its current plans or any other plans of development within the District. Furthermore, there is no restriction on the Developer or other landowners selling their land. The District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developer. See “Factors Affecting Taxable Values and Tax Payments” above. Neither the Developer nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. See “THE DEVELOPER.” Furthermore, the Developer have no binding commitment to the District to carry out any plans of development in the District, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment. See “THE DISTRICT” and “THE DEVELOPER.”

**NO REQUIREMENT TO BUILD ON DEVELOPED LOTS . . .** There is currently no requirement that individuals or other purchasers of 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.

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

**CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . .** Failure of the District to comply with certain covenants contained in the Bond Resolution on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

**GOVERNMENTAL APPROVAL . . .** As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed September 9, 2016. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

Neither the TCEQ nor the Attorney General of Texas passes upon or guarantees the security of the Bonds as an investment, nor have the foregoing authorities passed upon the adequacy or accuracy of the information contained in this Official Statement.

**DEMAND FOR AND FLUCTUATION OF ASSESSED VALUATION OF HOUSING PRODUCTS . . .** As reflected in “THE DISTRICT – History and Status of Development” herein, the housing product completed and currently planned for portions of the District consists of single family homes with anticipated prices ranging from \$225,000 to \$600,000.

**FORECLOSURES WITHIN THE DISTRICT . . .** For the period beginning August 1, 2015 through August 31, 2016, 2 properties have been posted for foreclosure and no properties had been sold at foreclosure.

The District can neither predict future conditions in the housing or financial markets nor provide any prediction as to the likelihood or number of home foreclosures within the District.

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**CHANGES IN TAX LEGISLATION . . .** Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds.

Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending or future legislation.

## THE BONDS

**DESCRIPTION . . .** The Bonds will be dated November 1, 2016, with interest payable each February 15 and August 15, beginning February 15, 2017 (each an “Interest Payment Date”) until the earlier of maturity or prior redemption, and will mature on the dates and in the amounts shown on the inside cover page hereof. Interest on the Bonds accrues from the date of initial delivery and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000.

**BOOK-ENTRY-ONLY SYSTEM . . .** The Depository Trust Company, New York, New York (“DTC”) will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+”. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](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 affect 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 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).

Principal and interest 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 Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, Agent, or the, 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 Agent. Payments of principal and interest to Direct Participants will be the responsibility of DTC, and reimbursement 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 Agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

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

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

**RECORD DATE FOR INTEREST PAYMENT . . .** The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last day of the preceding month.

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the paying agent/registrars, initially BOKF, NA, Austin, Texas (the "Paying Agent/Registrar"), if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**SOURCE OF PAYMENT . . .** While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, beginning with the year after the issuance of Bonds, a continuing direct annual ad valorem tax, without legal limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolution, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Williamson County, the City of Leander, Liberty Hill Independent School District, or any entity other than the District.

**FUNDS . . .** In the Bond Resolution, the Debt Service Fund is confirmed and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds authorized by the Bond Resolution shall be deposited, as collected, in such Fund.

Accrued interest shall be deposited in the Debt Service Fund upon receipt. The remaining proceeds from the sale of the Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund and used to reimburse the costs of acquiring or construction of District facilities or capacity in facilities serving the District, pay interest on such reimbursements, and pay the costs of issuing the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds" for a more complete description of the use of Bond proceeds.

**OPTIONAL REDEMPTION . . .** The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2024, prior to their scheduled maturities, in whole or in part, in integral multiples of \$5,000 on August 15, 2023, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

**AUTHORITY FOR ISSUANCE . . .** At a bond election held within the District on September 10, 2005, the voters of the District authorized the issuance of \$111,000,000 to supply water, wastewater and drainage facilities for the District as well as \$10,000,000 for recreational facilities. See "Issuance of Additional Debt" below.

The TCEQ has authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS” and recommended, among other things, the levy of a debt service tax rate of at least \$0.7000 per \$100 of appraised valuation in the initial year after the issuance of the Bonds, which is intended to be the 2016 fiscal year.

The Bonds are issued by the District pursuant to an order of the TCEQ, the terms and conditions of the Bond Resolution, Article XVI, Section 59 of the Texas Constitution, the Act, Chapters 49 and 54 of the Texas Water Code, as amended, and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State.

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

**REGISTRATION AND TRANSFER . . .** So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Resolution to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the Registered Owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

**LOST, STOLEN OR DESTROYED BONDS . . .** In the event the book-entry-only system should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding.

If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District’s costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

**ISSUANCE OF ADDITIONAL DEBT . . .** The District may issue additional ad valorem tax bonds, with the approval of the TCEQ, necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See “THE DISTRICT – General.” The District’s voters have authorized the issuance of \$111,000,000 principal amount of new money bonds for the purpose of constructing and/or acquiring a waterworks, sanitary sewer and storm sewer system and could authorize additional amounts. The District voters also authorized the issuance of \$10,000,000 principal amount of new money bonds for the purpose of recreational facilities. The issuance of additional bonds to refund or redeem the District’s bonds is also authorized. After the issuance of the Bonds, \$93,645,000 of unlimited tax bonds will remain authorized but unissued for the purpose of purchasing and constructing a water, wastewater and drainage system as well as \$10,000,000 to fund recreational facilities in the District.

The Bond Resolution imposes no limitation on the amount of additional bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District.

According to the Developer, following the issuance of the Bonds, the District will remain obligated to reimburse the Developer approximately \$5,000,000. The District expects to submit bond applications to the TCEQ for the sale of additional bonds (excluding the Bonds) to satisfy its obligation to pay the Developer for such facilities. The District intends to issue such bonds in approximately annual installments, subject to the pace of development and timely TCEQ approval. See “RISK FACTORS – Future Debt.”

**Fire-fighting activities.** The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (b) approval of the fire plan and issuance of bonds by the TCEQ; and (c) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for firefighting purposes. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

**Parks.** The District is authorized by statute to develop parks and recreational facilities, including the issuing of bonds payable from taxes for such purpose. The voters of the District have authorized a park plan and voted park bonds. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the park projects and bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. If the District does issue park bonds, the outstanding principal amount of such bonds may not exceed an amount equal to one percent of the value of the taxable property in the District.

**CONSOLIDATION . . .** The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

**ANNEXATION . . .** The District lies within the extraterritorial jurisdiction of the City of Leander, Texas. Under Texas law, the City of Leander cannot annex territory within a district unless it annexes the entire district. At such time as it is permissible pursuant to law for the District to be annexed, and the City of Leander does annex, the City of Leander will assume the District’s assets and obligations (including the debt service on the Bonds) and dissolve the District. Annexation of territory by the City of Leander is a policy-making matter within the discretion of the Mayor and City Council of the City of Leander and therefore, the District makes no representation that the City of Leander will ever annex the District and assume its debt.

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

**REMEDIES IN EVENT OF DEFAULT . . .** The Bond Resolution provides that, in addition to all other rights and remedies of any registered owner provided by the laws of the State of Texas, in the event the District defaults in the observance or performance of any covenant in the Bond Resolution including payment when due of the principal of and interest on the Bonds, any registered owner may apply for a writ of mandamus from a court of competent jurisdiction requiring the Board of Directors or other officers of the District to observe or perform such covenants.

The Bond Resolution provides no additional remedies to a registered owner. Specifically, the Bond Resolution does not provide for an appointment of a trustee to protect and enforce the interests of the registered owners or for the acceleration of maturity of the Bonds upon the occurrence of a default in the District’s obligations. Consequently, the remedy of mandamus is a remedy that may have to be enforced from year to year by the registered owners. Under Texas law, there is no right to the acceleration of maturity of the Bonds upon the failure of the District to observe any covenant under the Bond Resolution. Such registered owner’s only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the District to assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Bonds as it becomes due. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

**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 water control and improvement 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 water control and improvement district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “MUNICIPAL BOND RATINGS AND INSURANCE.”

The District has not reviewed the laws in other states to determine whether the Bonds are legal investments for various institutions in those states or eligible to serve as collateral for public funds in those states. The District has made no investigation of any other laws, rules, regulations or investment criteria that might affect the legality or suitability of the Bonds for any of the above purposes or limit the authority of any of the above persons or entities to purchase or invest in the Bonds.

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

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

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

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

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

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

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

**USE AND DISTRIBUTION OF BOND PROCEEDS**

The construction costs below were compiled by Schroeder Engineering (“Schroeder”), and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by Schroeder and Specialized Public Finance Inc. (“Financial Advisor”). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and reviewed by the District’s auditor. The contingency or surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

**I. CONSTRUCTION COSTS**

	<u>District’s Share<sup>(1)</sup></u>
A. Developer Contribution Items	
1. Rancho Sienna Section 2 – Water, Wastewater and Drainage .....	\$ 3,923,664
2. Rancho Sienna Section 12A – Water, Wastewater and Drainage.....	254,655
3. Rancho Sienna Section 5A – Water, Wastewater and Drainage.....	652,253
4. Rancho Sienna Section 5B – Water, Wastewater and Drainage.....	565,599
5. Engineering and Permitting (15% of Items 1-4) .....	<u>809,426</u>
Total Developer Items.....	\$ 6,205,597
 B. District Items	
1. Water Supply Capacity (114 LUEs).....	421,800 <sup>(2)</sup>
2. Wastewater Treatment Capacity (114 LUEs).....	<u>193,800</u> <sup>(3)</sup>
Total District Items .....	\$ 615,600
 <b>Total Construction Costs (75.2% of BIR) .....</b>	<b>\$ 6,821,197</b>

**II. NON-CONSTRUCTION COSTS**

A. Legal and Bond Counsel Fees (2.44%) .....	\$ 221,500 <sup>(4)</sup>
B. Fiscal Agent Fees (1.75%).....	158,813 <sup>(5)</sup>
C. Developer Interest Costs .....	1,094,627 <sup>(6)</sup>
D. Bond Discount (3%) .....	272,250
E. Bond Issuance Expenses .....	48,070
F. Bond Application Report .....	50,000
G. Operating Costs.....	376,780 <sup>(7)</sup>
H. Attorney General Fees (0.10%).....	9,075
I. TCEQ Bond Issuance Fee (0.25% plus \$500).....	22,688
J. Contingency .....	<u>0</u>
<b>Total Non-Construction Costs .....</b>	<b>\$ 2,253,803</b>

**TOTAL BOND ISSUE REQUIREMENT .....** \$ **9,075,000**

- (1) The District is requesting a conditional waiver from the 30% developer participation requirement.
- (2) Represents 114 LUEs at \$3,700 per ESFC.
- (3) Represents 114 LUEs at \$1,700 per ESFC.
- (4) Pursuant to contract provided, includes fees to be 3% of the first \$3,000,000 in bonds issued; 2.5% of the next \$2,000,000 for the next \$2,000,000 in bonds issued; and 2% of bonds issued over \$5,000,000.
- (5) Contract provided indicates fee to be 1.75% of bonds issued.
- (6) Estimated at 5%. The District has requested to reimburse more than two years of developer interest in accordance with 30 TAC § 293.50(b).
- (7) Represents developer advances from January 2012 through October 2013.

**THE DISTRICT**

**GENERAL . . .** The District is a municipal utility district created by a special act of the 78<sup>th</sup> Texas Legislature, Regular Session (Acts 2003, Chapter 760 (the “Act”), effective September 1, 2003). The creation of the District was confirmed at an election held within the District on August 13, 2005. The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to utility districts, particularly Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

The District is located in northwest Williamson County approximately one mile southeast of the intersection of Highway 29 and Ronald Reagan Boulevard. The District is within the extraterritorial jurisdiction of the City of Leander. Access from Ronald Reagan Boulevard is provided by Via De Sienna Boulevard, a new street constructed by the Developer.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District, including the District’s issuance of bonds. The City of Leander has no jurisdiction regarding issuance of the District’s bonds. Construction and operation of the District’s system is subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM – Regulation.”

**LAND USE . . .** The following table has been provided by the District’s Engineer and represents the current and planned land use within the District.

	<u>Lots</u>
Single-Family Residential	
Rancho Sienna, Section 1 .....	91
Rancho Sienna, Section 2 .....	67
Rancho Sienna, Section 3 .....	52
Rancho Sienna, Section 4PH1 .....	46
Rancho Sienna, Section 5A.....	51
Rancho Sienna, Section 5B.....	35
Rancho Sienna, Section 6 .....	48
Rancho Sienna, Section 7 .....	57
Rancho Sienna, Section 8 .....	62
Rancho Sienna, Section 9 .....	97
Rancho Sienna, Section 12A.....	13
Rancho Sienna, Section 14PH1 .....	51
Rancho Sienna, Section 15 .....	<u>54</u>
Subtotal .....	<u>724</u>
Undeveloped but Developable Acres.....	205
Undevelopable Acres.....	100

**STATUS OF DEVELOPMENT . . .** Nash Rancho Hills, LLC (the “Developer”) is developing the District as Rancho Sienna, a single-family residential development project. In addition, Rancho Sienna KC, Ltd. is developing a portion of the territory within the District for commercial use.

Homebuilders in the District are Castlerock, Chesmar Homes, Emerald Homes, Ryland Homes, Sitterle Homes, Partners in Building, D.R. Horton and Perry Homes.

As of August 19, 2016 the District contained 305 developed acres. A total of 320 homes were completed and occupied, 12 homes were completed and unoccupied, 72 homes were under construction, and 320 lots were available for construction. As of such date, there were approximately 205 acres of undeveloped but developable land, of which approximately 60.6 acres will be used for commercial development, with the remaining 145 acres to be used for single-family residential development and approximately 100 acres of undevelopable land. Homes within the District range in price from approximately \$225,000 to \$600,000.

**FUTURE DEVELOPMENT . . .** The District is currently planned as a primarily single-family residential development. All developable acres of land in the District are not yet served with water distribution and supply, wastewater collection and treatment or storm drainage facilities.

The District anticipates issuing additional bonds to accomplish full development of the District. The Engineer has stated that under current development plans, the remaining authorized but unissued new money bonds authorized for the acquisition and construction of water, wastewater and storm drainage facilities (\$93,645,000, after issuance of the Bonds) is expected to be sufficient to finance the construction of water, wastewater and storm drainage facilities to complete the District’s water, wastewater and storm drainage



system for full development of the District and to reimburse the Developer for funds previously advanced to complete such facilities. See “RISK FACTORS – Factors Affecting Taxable Values and Tax Payments”, “– Future Debt” and “THE SYSTEM.”

## **THE DEVELOPER**

**ROLE OF A DEVELOPER . . .** In general, the activities of a landowner or developer in a municipal utility district such as the District include conceptualizing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. While a developer is required by the TCEQ to pave certain streets in the District, a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

**THE DEVELOPER . . .** The current Developer of the District is Nash Rancho Hills, LLC.

The Developer is developing the land within the District as Rancho Sienna, a master planned community comprised of approximately 1,455 single family lots.

In addition, the Developer and Rancho Sienna KC, Ltd. intend to develop 60.6 acres within the District for commercial purposes.

**DEVELOPMENT HISTORY . . .** At the time of the District’s creation in 2003, all acreage comprising the District was owned by Silvercreek Development, Ltd. In 2004, Silvercreek Development, Ltd. purchased an additional 254.779 acres adjacent to the District, which was annexed by the District on February 23, 2005. The acres were annexed by an order dated June 1, 2005. The District currently contains 611.41 acres of land. The land is being developed by the Developer (Nash Rancho Hills, LLC).

**DEVELOPMENT FINANCING . . .** The Developer has financed its development activities in the District with funds provided by its indirect parent, Nash Financing LLC is a wholly-owned subsidiary of NORTH AMERICA SEKISUI HOUSE, LLC, which is a wholly-owned subsidiary of Sekisui House, Ltd., which is listed on the Tokyo Stock Exchange.

**HOMEBUILDERS . . .** Homebuilders in the District are Castlerock, Chesmar Homes, Emerald Homes, Ryland Homes, Sitterle Homes, Partners in Building, D.R. Horton and Perry Homes (the “Homebuilders”).

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## MANAGEMENT OF THE DISTRICT

**BOARD OF DIRECTORS** . . . The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to staggered four-year terms and elections are held in May of even numbered years only. None of the Board members reside within the District; however, each member owns a small parcel of land within the District. The current members and officers of the Board along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
F. Hagen McMahon, Jr.	President	May 2020
Donald W. Richardson	Vice President	May 2020
James Bohls	Secretary	May 2018
William E. Blood	Assistant Secretary	May 2020
Michael DaSilva	Assistant Secretary	May 2018

**DISTRICT CONSULTANTS** . . . The District does not have any full-time employees, but contracts for certain necessary services as described below.

Tax Appraisal: The Williamson Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District contracts with the Williamson County Tax Assessor/Collector (the “Tax Assessor/Collector”) to serve in this capacity.

Engineer: The District’s consulting engineer is Randall Jones & Associates Engineering, Inc. The District contracted with Schroeder Engineering to prepare its bond application to the TCEQ.

Bookkeeper: The District has contracted with Bott & Douthitt, PLLC for bookkeeping services.

Auditor: The District’s financial statements for the year ended September 30, 2015, were audited by Maxwell Locke & Ritter, LLP, Certified Public Accountants. See “APPENDIX A” for a copy of the District’s audited September 30, 2015 financial statements.

Bond Counsel/Attorney: The District has engaged Allen Boone Humphries Robinson LLP as Bond Counsel in connection with the issuance of the District’s debt obligations. Bond Counsel fees are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Specialized Public Finance Inc. serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

General Counsel: The District has engaged Armbrust & Brown, PLLC as general counsel to the District. Compensation for such legal services to the District for work related to the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Disclosure Counsel: Andrews Kurth LLP has been engaged as Disclosure Counsel in connection with the issuance of the Bonds. The fees of the attorneys in their capacity as Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

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## **WATER, SANITARY SEWER AND DRAINAGE FACILITIES**

**REGULATION** . . . Construction and operation of the water, sanitary sewer and storm drainage system serving the District as it now exists or as it may be expanded from time to time is subject to regulatory jurisdiction of federal, state and local authorities. The TCEQ exercises continuing, supervisory authority over the water and sanitary service serving the District. Construction of water, sanitary sewer and storm drainage facilities is subject to the regulatory authority of the District and Williamson County. The TCEQ also exercises regulatory jurisdiction over portions of the water and sanitary sewer facilities.

**WATER AND WASTEWATER** . . . The District is party to the following agreements: (i) Wholesale Wastewater Service Agreement from Lower Colorado River Authority (the "LCRA") to Chisolm Trail Special Utility District ("CTSUD") for Service to the District and Williamson County Municipal Utility District No. 19 ("MUD 19") dated effective as of September 25, 2006, as supplemented by Supplemental Agreement to the Wholesale Wastewater Service Agreement from LCRA to CTSUD For Service to the District and MUD 19 dated effective as of June 19, 2009, and as amended by First Amendment to the Wholesale Wastewater Service Agreement from LCRA to CTSUD for Service to the District and MUD 19 dated effective as of September 9, 2010; (ii) the Additional Wholesale Wastewater Service Agreement (MUDS 12, 19, and 19A) between the District, MUD No. 19, Williamson County Municipal Utility District No. 19A ("MUD 19A") and Liberty Hill dated effective as of October 30, 2013, as amended by First Amendment to Additional Wholesale Wastewater Agreement (MUD Nos. 12, 19 and 19A) dated effective as of June 12, 2015; and (iii) the Interlocal Agreement Concerning Sewer Service between the Liberty Hill, the District, and MUD No. 19A dated effective as of April 22, 2013.

Retail water service is provided within the District by the City of Georgetown ("Georgetown") pursuant to the First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna KC, LP ("Rancho Sienna"), and the District, dated effective October 9, 2007 ("Original Agreement"), as amended by the First Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District dated effective December 1, 2011 ("First Amendment"), and the Second Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Rancho Sienna and the District ("Second Amendment"); and as affected by that certain Assignment and Assumption of Contract dated October 68, 2013 (the "Assignment"), whereby Rancho Sienna assigned all of its rights, title and interest in and to the obligations of such agreements to Developer and CTSUD consented to such assignment; and as further amended by that certain Third Amendment to First Amended and Restated Non-Standard Water and Wastewater Service Agreement by and among CTSUD, Developer and the District dated effective August 15, 2013 ("Third Amendment"). The Original Agreement, as amended by the First Amendment, the Second Amendment, as assigned in the Assignment, and as further amended by the Third Amendment, is referred to as the "Service Agreement." The Service Agreement was subsequently assigned to and assumed by Georgetown.

Under these agreements, the District is entitled to capacity in the amount of 1,584 LUEs of wastewater service, and additional LUEs can be transferred from MUD 19A.

**STORM DRAINAGE FACILITIES** . . . The natural drainage patterns of the land in the District include two separate sub-watersheds. The northern part of the District generally drains northward to tributaries of the Middle Fork of the San Gabriel River. The central and southern parts generally drain southward to tributaries of the South Fork of the San Gabriel River.

The drainage system improvements for the District's development include curb and gutter streets with inlets, storm sewers, and detention and water quality ponds.

This bond issue includes funding for inlets and storm sewers.

The District is located within the Edwards Aquifer Contributing Zone and Recharge Zone and is subject to the TCEQ's Edwards Aquifer Rules, including an approved Water Pollution Abatement Plan for water quality control during construction and after completion of development. The selected option for storm water quality facilities includes ponds for detention and treatment of runoff. Four ponds have been constructed in the contract for Rancho Sienna Sections 1 and 2 for detention and water quality with permanent pool wet ponds.

**100-YEAR FLOOD PLAIN** . . . The Flood Insurance Rate Map associated with the District indicates that a portion of the land in the District is located within the 100-year flood plain. See "THE DISTRICT – Land Use." The Developer does not plan to develop any portion of the District that is within the floodplain

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## DEBT SERVICE REQUIREMENTS

**TABLE 1 – DEBT SERVICE REQUIREMENTS . . .** The following sets forth the debt service on the Bonds at an estimated net interest cost of 5.00% for purposes of illustration. Preliminary, subject to change.

Fiscal Year Ending 9/30	Outstanding Debt			The Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2016	\$ -	\$ 132,026	\$ 132,026	\$ -	\$ -	\$ -	\$ 132,026
2017	-	291,023	291,023	-	415,938	415,938	706,960
2018	95,000	274,788	369,788	-	453,750	453,750	823,538
2019	210,000	271,938	481,938	155,000	453,750	608,750	1,090,688
2020	220,000	263,438	483,438	165,000	446,000	611,000	1,094,438
2021	230,000	254,538	484,538	170,000	437,750	607,750	1,092,288
2022	245,000	245,238	490,238	180,000	429,250	609,250	1,099,488
2023	255,000	237,263	492,263	190,000	420,250	610,250	1,102,513
2024	265,000	228,963	493,963	200,000	410,750	610,750	1,104,713
2025	280,000	222,363	502,363	210,000	400,750	610,750	1,113,113
2026	295,000	215,413	510,413	220,000	390,250	610,250	1,120,663
2027	305,000	207,700	512,700	230,000	379,250	609,250	1,121,950
2028	320,000	199,338	519,338	240,000	367,750	607,750	1,127,088
2029	335,000	189,788	524,788	255,000	355,750	610,750	1,135,538
2030	355,000	179,763	534,763	265,000	343,000	608,000	1,142,763
2031	365,000	168,469	533,469	280,000	329,750	609,750	1,143,219
2032	385,000	156,631	541,631	295,000	315,750	610,750	1,152,381
2033	405,000	143,656	548,656	305,000	301,000	606,000	1,154,656
2034	425,000	130,006	555,006	325,000	285,750	610,750	1,165,756
2035	440,000	115,156	555,156	340,000	269,500	609,500	1,164,656
2036	465,000	99,756	564,756	355,000	252,500	607,500	1,172,256
2037	490,000	83,456	573,456	375,000	234,750	609,750	1,183,206
2038	510,000	66,306	576,306	390,000	216,000	606,000	1,182,306
2039	535,000	48,138	583,138	410,000	196,500	606,500	1,189,638
2040	560,000	29,056	589,056	435,000	176,000	611,000	1,200,056
2041	290,000	9,063	299,063	455,000	154,250	609,250	908,313
2042	-	-	-	475,000	131,500	606,500	606,500
2043	-	-	-	500,000	107,750	607,750	607,750
2044	-	-	-	525,000	82,750	607,750	607,750
2045	-	-	-	550,000	56,500	606,500	606,500
2046	-	-	-	580,000	29,000	609,000	609,000
	<u>\$ 8,280,000</u>	<u>\$ 4,463,267</u>	<u>\$ 12,743,267</u>	<u>\$ 9,075,000</u>	<u>\$ 8,843,438</u>	<u>\$ 17,918,438</u>	<u>\$ 30,661,705</u>

Estimated Average Annual Debt Service Requirements (2016-2046) .....\$ 989,087  
 Estimated Maximum Annual Debt Service Requirement (2040).....\$ 1,200,056

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**ESTIMATED OVERLAPPING DEBT . . .** The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas.

Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping Percent	Amount
Williamson County ESD #4	\$ -	8/31/2016	3.01%	\$ -
Liberty Hill Independent School District	146,843,047	8/31/2016	6.60%	9,691,641
Williamson County	931,599,942	8/31/2016	0.18%	1,676,880
Total Estimated Overlapping Debt				\$ 11,368,521
The District's Total Direct Debt <sup>(a)</sup>				17,355,000
Total Direct and Estimated Overlapping Debt				\$ 28,723,521

Direct and Estimated Overlapping Debt as a Percentage of:  
 2016 Certified Taxable Assessed Valuation 20.56%

(a) Includes the Bonds.

**OVERLAPPING TAXES . . .** Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property.

The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with tax liens of taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see "DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt"), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2016 tax year by all taxing jurisdictions that overlap the District and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	2016 Tax Rate Per \$100 <u>Assessed Valuation</u>
Williamson County <sup>(a)</sup> .....	\$ 0.4765
Williamson County ESD #4.....	0.1000
Liberty Hill Independent School District.....	<u>1.5400</u>
Total Overlapping Tax Rate.....	\$ 2.1165
The District.....	<u>0.8500</u>
Total Tax Rate.....	\$ 2.9665

(a) Includes \$0.0400 road and bridge tax rate.

TABLE 2 – STATEMENT OF ACTIVITIES

	Fiscal Year Ending September 30,			
	2015	2014	2013	2012
Property Tax	\$ 509,809	\$ 435,775	\$ 59,725	\$ 30,779
Other	160	6,726	17	-
Total Revenues	\$ 509,969	\$ 442,501	\$ 59,742	\$ 30,779
Water Reservation Fees	\$ 35,222	\$ 39,059	\$ 38,130	\$ 113,470
Wastewater Monthly Fees	75,600	75,600	75,600	-
Water Purchases	-	-	-	409
Drainage Fees	20,389	-	-	-
Security Patrol Fees	51,120	-	-	-
Repairs and Maintenance	9,587	-	-	1,416
Director Fees/Payroll Taxes	10,994	9,043	8,720	8,397
Legal Fees	81,755	78,014	82,791	58,430
Engineering Fees	9,511	7,200	9,044	11,247
Bookkeeping Fees	14,250	13,950	13,950	13,950
Audit Fees	11,000	11,000	10,500	10,000
Tax Assessor/Collector Fees	3,223	1,100	513	280
Insurance	8,602	6,641	3,595	3,595
Other	987	1,909	2,249	1,688
Capital Outlay	22,041	-	-	-
Repayment of Developer Advances	347,877	-	-	-
Total Expenses	\$ 702,158	\$ 243,516	\$ 245,092	\$ 222,882
Excess (Deficiency)	\$ (192,189)	\$ 198,985	\$ (185,350)	\$ (192,103)
Advances/Bond Proceeds	\$ 347,877	\$ 130,000	\$ 188,875	\$ 198,400
Beginning Fund Balance	\$ 284,176	\$ (44,809)	\$ (48,334)	\$ (54,631)
Ending Fund Balance	\$ 439,864	\$ 284,176	\$ (44,809)	\$ (48,334)

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**TAX DATA**

**DEBT SERVICE TAX . . .** The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. The TCEQ, in connection with its approval of the Bonds, recommended that a debt service tax rate of not less than \$0.7000 per \$100 of appraised valuation be levied in the initial year after the issuance of the Bonds, which is expected to be 2016. See “RISK FACTORS – Factors Affecting Taxable Values and Tax Payments,” “TAX DATA – Historical Tax Rate,” “TAX DATA – Tax Roll Information” below, and “TAXING PROCEDURES.”

**MAINTENANCE TAX . . .** The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted and voters of the District authorized, among other things, the Board to levy a maintenance tax at a rate not to exceed \$1.00 per \$100 appraised valuation. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds. See “Debt Service Tax” above.

**TAX EXEMPTIONS . . .** The District has not adopted any local option tax exemptions for property located within the District.

**ADDITIONAL PENALTIES . . .** The District has contracted with the Tax Assessor/Collector to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty to defray the costs of collection.

**TABLE 3 – HISTORICAL TAX RATE**

	2012	2013	2014	2015	2016
Debt Service	\$ -	\$ -	\$ -	\$ 0.1000	\$ 0.1115
Maintenance	0.8500	0.8500	0.8500	0.7500	0.7385
Total	\$ 0.8500	\$ 0.8500	\$ 0.8500	\$ 0.8500	\$ 0.8500

**HISTORICAL TAX COLLECTIONS . . .** The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District’s tax assessor/collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Year	Net Certified Taxable		Total Tax Levy <sup>(b)</sup>	Total Collections		As of
	Assessed Valuation <sup>(a)</sup>	Tax Rate		Amount	Percent	
2009	\$ 4,640,708	\$ 0.8500	\$ 39,446	\$ 39,446	100.00%	9/30/2010
2010	3,655,350	0.8500	30,781	30,781	100.00%	9/30/2011
2011	3,430,617	0.8500	29,160	29,160	100.00%	9/30/2012
2012	7,026,417	0.8500	59,725	59,725	100.00%	9/30/2013
2013	16,122,769	0.8500	138,287	138,287	100.00%	9/30/2014
2014	37,918,514	0.8500	426,540	426,540	100.00%	9/30/2015
2015	84,469,482	0.8500	719,433	709,625	98.64%	2/29/2016
2016	139,700,912	0.8500	N/A	N/A	N/A	N/A

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.

(b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

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**TAX ROLL INFORMATION . . .** The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES – Valuation of Property for Taxation”). The following represents the composition of property comprising the 2013-2016 Certified Taxable Appraised Valuations.

	2016 Certified Taxable Appraised Valuation	2015 Certified Taxable Appraised Valuation	2014 Certified Taxable Appraised Valuation	2013 Certified Taxable Appraised Valuation
Land and Improvements	\$ 122,076,974	\$ 77,486,153	\$ 37,957,514	\$ 16,146,769
Total Appraised Valuation	122,076,974	77,486,153	37,957,514	16,146,769
Exemptions	17,623,938	6,983,329	(39,000)	(24,000)
<b>Total Taxable Appraised Valuation</b>	<b>\$ 139,700,912</b>	<b>\$ 84,469,482</b>	<b>\$ 37,918,514</b>	<b>\$ 16,122,769</b>

**TABLE 4 – PRINCIPAL TAXPAYERS . . .** The following table represents the principal taxpayers, the taxable appraised value of such property, and such property’s appraised value as a percentage of the 2016 Certified Taxable Assessed Valuation. The 2016 Certified Taxable Assessed Valuation is subject to protest, which could result in changes to the principal taxpayers lists.

Taxpayer	Taxable Assessed Value	% of 2016 Taxable Assessed Valuation
Nash Rancho Hills LLC	\$ 17,473,028	12.51%
Rancho Sienna KC LP	8,460,645	6.06%
RH of Texas Limited Partnership	4,252,424	3.04%
Chesmar Homes Austin Ltd.	2,820,000	2.02%
Castlerock Communities LP	2,599,349	1.86%
Wes Peoples Homes LLC	1,425,643	1.02%
Continental Homes of Texas LP dba DR Horton	1,205,402	0.86%
Continental Homes of Texas LP	1,097,453	0.79%
Perry Homes LLC	1,040,000	0.74%
Sitterle Homes - Austin LLC	982,324	0.70%
	<b>\$ 41,356,268</b>	<b>29.60%</b>

**TAX ADEQUACY FOR DEBT SERVICE . . .** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 appraised valuation which would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2016 Certified Taxable Assessed Valuation as provided by the Williamson Central Appraisal District of \$139,700,912. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the debt of the District when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-seven and a half percent (97.5%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “DEBT SERVICE REQUIREMENTS.”

Projected Average Annual Debt Service Requirements on the Bonds (2016-2046) .....	\$ 989,087
\$0.7262 Tax Rate on 2016 Certified Taxable Assessed Valuation of \$139,700,912 @ 97.5% collections ...	989,145
Projected Maximum Annual Debt Service Requirements on the Bonds (2040) .....	\$ 1,200,056
\$0.8811 Tax Rate on 2016 Certified Taxable Assessed Valuation of \$139,700,912 @ 97.5% collections ...	1,200,132

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## INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Under Texas law, the District is authorized to invest in (1) obligations, including letter of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation 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) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended (the "PFIA")) that are issued by or through an institution that either has its main office or a branch office in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits, or are invested by the District through a broker or depository institution that has its main office or a branch office in the State of Texas and otherwise meet the requirements of the PFIA, (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas, (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency, (10) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank, (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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 "AAA-m" 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.

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

Under State 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 includes a list of authorized investments for District funds, 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 Texas Public Funds Investment Act. As an integral part of its investment policy, the District is required to adopt a separate written investment strategy for each of the funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities: (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. In addition, State law requires that District 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 investment officers of the District shall submit an investment report detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group and fully accrued interest for the reporting period, (4) the book value and market value of each separately invested 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 strategy statements and (b) State law. No person may invest District funds without express written authority from the Board of District.

Under State law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt an order or resolution stating that it has reviewed its investment policy and investment strategies and record any changes made to either its investment policy or investment strategy in such order or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (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 or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the District, State law 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 repurchase agreement; (8) restrict the investment in mutual funds in the aggregate to no more than 15% of the entity’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, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

**TABLE 5 – CURRENT INVESTMENTS . . .** On September 1, 2016, the District had \$480,385.51 in operating account funds and \$799,077.04 in general funds. All general funds are held in TexPool or in ABC Bank in checking accounts, money market accounts or certificates of deposit.

## **TAXING PROCEDURES**

**AUTHORITY TO LEVY TAXES . . .** The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see “RISK FACTORS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of Payment.” Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. 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. The Williamson Central Appraisal District has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson County Appraisal Review Board (the “Appraisal Review Board”).

**PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . .** 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 income producing tangible personal property or mineral interest with a taxable value of less than \$1,500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; designated historical sites; and most individually owned automobiles. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax

supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$3,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District's voters, are residential homesteads of persons sixty-five (65) years or older and of certain disabled persons to the extent of \$3,000 of appraised value or more.

*Residential Homestead Exemptions:* The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted by April 30.

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

**TAX ABATEMENT . . .** Williamson County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Williamson County, the Liberty Hill Independent School District and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 the terms of the tax abatement agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

**VALUATION OF PROPERTY FOR TAXATION . . .** Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally 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.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

Provisions of the Property Tax Code are complex and are not fully summarized here. 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 (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of reappraisal will be utilized by the Appraisal District 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 Appraisal District 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 Appraisal District 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 value, 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, 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 15 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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, may be rejected. Additionally, the owner of a residential homestead property that is a person sixty-five (65) years of age or older is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership.

**ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . .** The qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.08 times the amount of the 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, disregarding any homestead exemption available only to disabled persons or persons 65 years of age or older. Thus, debt service and contract tax rates cannot be changed by a rollback election.

**DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . .** Taxes levied by the District are a personal obligation of the owner of the property as of 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 "TAX DATA – Estimated Overlapping Taxes"). 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 or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. See "RISK FACTORS – Tax Collection Limitations and Foreclosure Remedies."

**THE EFFECT OF FIRREA ON TAX COLLECTIONS OF THE DISTRICT . . .** The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") 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, interest, 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.

## LEGAL MATTERS

**LEGAL PROCEEDINGS** . . . Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of Bond Counsel, to a like effect, and to the effect that (i) interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under “SALE AND DISTRIBUTION OF THE BONDS – Securities Laws,” “THE BONDS” (except for “Book-Entry-Only System”), “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION,” solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor has conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

**NO-LITIGATION CERTIFICATE** . . . The District will furnish the Underwriter a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or non-encumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

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

## TAX MATTERS

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals and corporations, except for certain alternative minimum tax consequences for corporations.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Resolution that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District’s Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District’s Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

The Code also imposes a twenty percent (20%) alternative minimum tax on the “alternative minimum taxable income” of a corporation, if the amount of such alternative minimum tax is greater than the amount of the corporation’s regular income tax. Generally, the alternative minimum taxable income of a corporation (other than an S corporation, regulated investment company, REIT, REMIC or FASIT) includes seventy-five percent (75%) of the amount by which a corporation’s “adjusted current earnings” exceeds its other “alternative minimum taxable income.” Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation’s “adjusted current earnings,” ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

Under the Code, taxpayers are required to report on their returns the amount of tax exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively-connected earnings and profits, including tax exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems 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 and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

**TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT BONDS . . .** The issue price of certain of the Bonds (the “Original Issue Discount Bonds”), may be less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) The difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) Such initial owner is entitled to exclude from gross income (as 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 period that such Original Issue Discount Bond continues to be owned by such owner.

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 Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under the caption “TAX MATTERS” generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.)

The foregoing is based on the assumptions that (a) the Underwriter has purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover page of this Official Statement, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

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 Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

The federal income tax consequences of the purchase, ownership, and 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 interest accrued upon redemption, sale or other disposition of such Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership and redemption, sale or other disposition of such Bonds.

**NOT QUALIFIED TAX-EXEMPT OBLIGATIONS . . .** The District will not designate the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Code.

## **PREPARATION OF OFFICIAL STATEMENT**

**SOURCES AND COMPILATION OF INFORMATION . . .** The financial data and other information contained in this Official Statement has been obtained primarily from the District's records, the Developer, the Engineer, the Tax Assessor/Collector, the Appraisal District and from other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from such sources, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the agreements, reports, statutes, resolutions, engineering and other related information set forth in this Official Statement are included herein 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 for further information.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, Specialized Public Finance Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

**CONSULTANTS . . .** In approving this Official Statement, the District has relied upon the following consultants.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Tax Assessor/Collector's office and is included herein in reliance upon the authority of such individual as an expert in assessing property values and collecting taxes.

*Engineer:* The information contained in this Official Statement relating to engineering 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 Schroeder Engineering and Randall Jones & Associates Engineering, Inc. and has been included herein in reliance upon the authority of said firms as experts in the field of civil engineering.

*Developer:* The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the sections captioned "THE DEVELOPER – The Developer" has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

**UPDATING THE OFFICIAL STATEMENT . . .** If subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser, provided, however, that the obligation of the District to the Initial Purchaser to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all

of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

**CERTIFICATION OF OFFICIAL STATEMENT . . .** The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement of a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the Board has relied in part upon its examination of records of the District, and upon discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system.

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data to the MSRB. The information to be updated with respect to the District includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement included under the headings "Table 1 – Debt Service Requirements," "Table 2 – Statement of Activities," "Table 3 – Historical Tax Rate," "Table 4 – Principal Taxpayers," and in "APPENDIX A" (the Audit). The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2016 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 12c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when the audit report of such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

**EVENT NOTICES . . .** 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; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The District has agreed to provide the foregoing updated information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).



**LIMITATIONS AND AMENDMENTS . . .** The District has agreed to update information and to provide notices of specified 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 holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the 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 or the business of the Developer, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** During the last five years, the District has complied in all material respects with its continuing disclosure agreements in accordance with SEC Rule 15c2-12.

#### MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the APPENDICES hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

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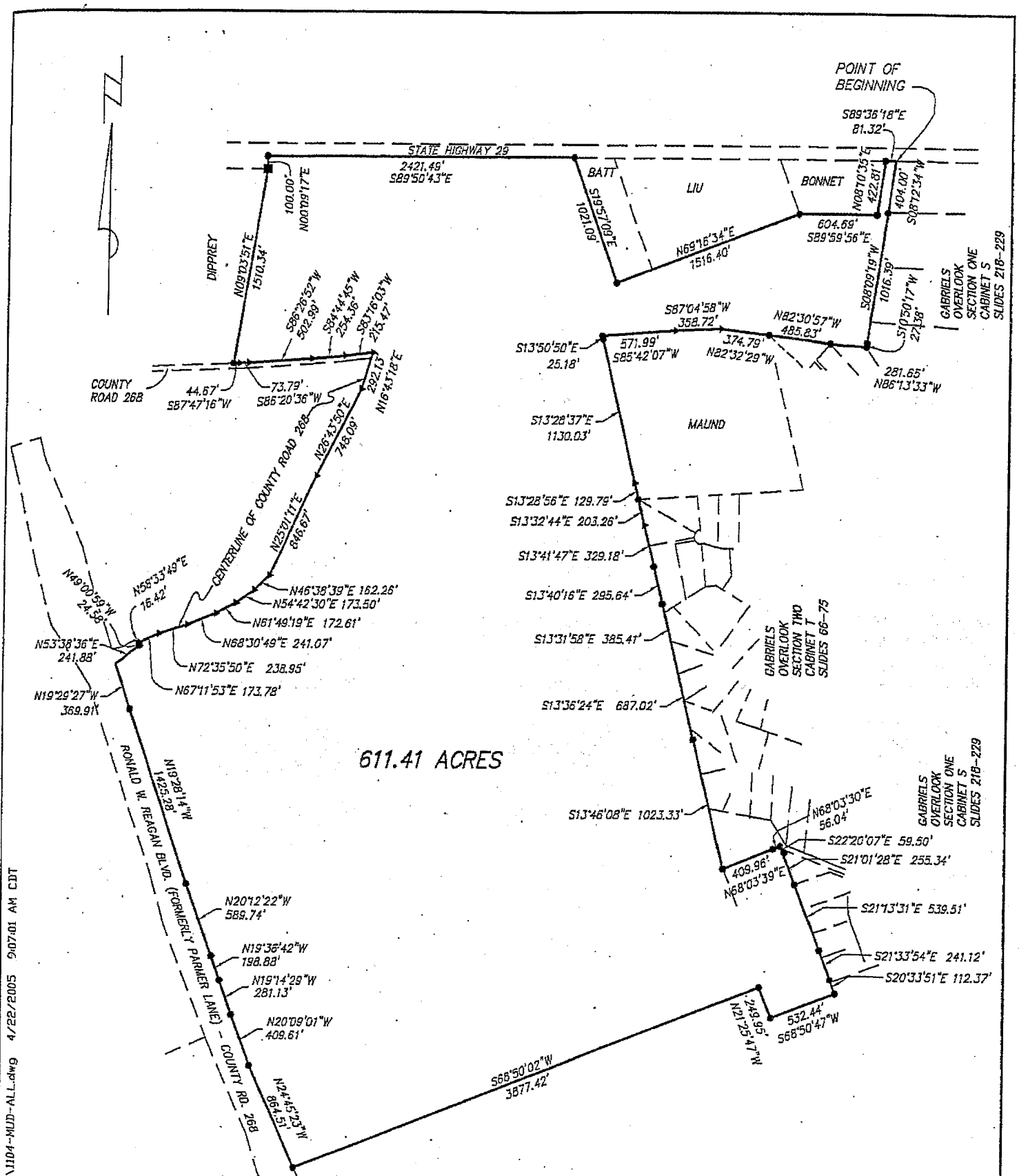
President, Board of Directors  
Williamson County Municipal Utility District No. 12

ATTEST:

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Secretary, Board of Directors  
Williamson County Municipal Utility District No. 12

**AERIAL BOUNDARY MAP**



611.41 ACRES

WILLIAMSON COUNTY M.U.D. No. 12 BOUNDARY

(SEE DESCRIPTION ON A SEPARATE ATTACHMENT)

DATE: APR. 21, 2005

SCALE: 1" = 1000'

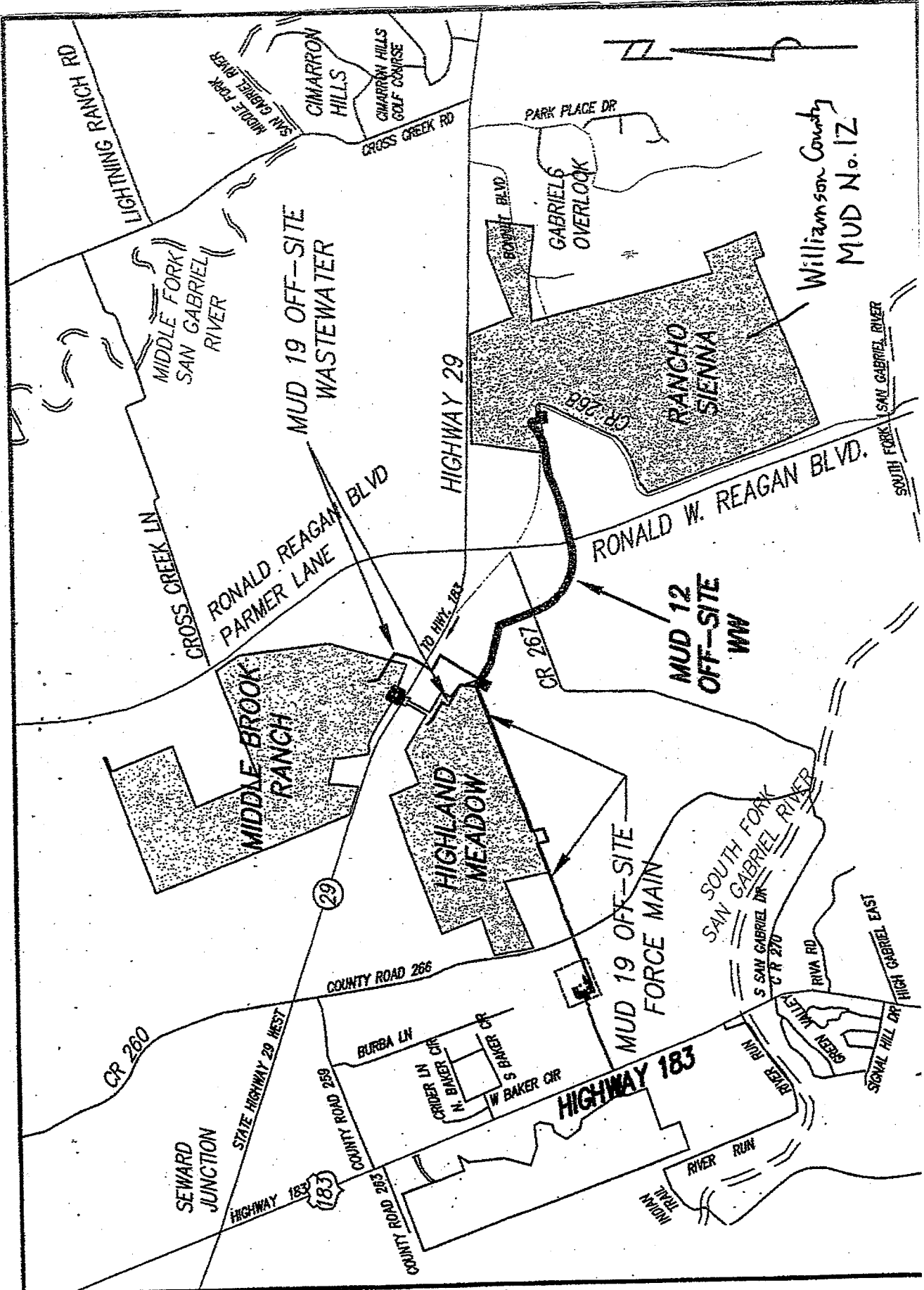
RJ SURVEYING, INC.

1212 E. BRAKER LANE AUSTIN, TEXAS 78753 (512) 836-4793

S:\LAND\1104\1150\1104.dwg 4/22/2005 9:07:01 AM CDT

This document was prepared under 22TAC 663.21, does not reflect the results of an on the ground survey, and is not to be used to convey or establish interests in real property except those rights and interests implied or established by the creation or reconfiguration of the boundary of the political subdivision for which it was prepared.

# LOCATION MAP



**PHOTOGRAPHS OF THE DISTRICT**







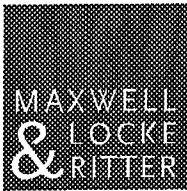






**APPENDIX A**

AUDITED FINANCIAL STATEMENT OF THE DISTRICT  
FOR THE YEAR ENDED SEPTEMBER 30, 2015



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

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Round Rock: 303 East Main Street  
Round Rock, TX 78664

## **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Williamson County Municipal Utility District No. 12:

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Williamson County Municipal Utility District No. 12 (the "District"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

*Affiliated Company*

ML&R WEALTH MANAGEMENT LLC

*"A Registered Investment Advisor"  
This firm is not a CPA firm*

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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-6 and FS-17, 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 listed in the table of contents is presented for purposes of additional analysis and is 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.

*Maxwell Locke + Ritter LLP*

Austin, Texas  
February 4, 2016

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Williamson County Municipal Utility District No. 12 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2015. Since this information is designed to focus on 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 fund balance for the General Fund was \$439,864, an increase of \$155,688 from a balance of \$284,176 at the end of the previous fiscal year. General Fund expenditures increased from \$243,516 in the previous fiscal year to \$702,158 in the current fiscal year and revenues (including other financing sources) increased from \$572,501 in the previous fiscal year to \$857,846 in the current fiscal year. Unlike in years past, there were no developer advances received during the current fiscal year. During the 2015 fiscal year, \$347,877 of previously funded developer advances were repaid to the developer.
- *Debt Service Fund:* At the end of the current fiscal year, the fund balance for the Debt Service Fund was \$314,750. During the current fiscal year, the District issued \$4,000,000 of Series 2015 Unlimited Tax Bonds, of which \$314,739 was invested in the Debt Service Fund to fund future interest and principal payments on the bonds.
- *Capital Projects Fund:* At the end of the current fiscal year, the fund balance for the Capital Projects Fund was \$340,242. During the current fiscal year, the District issued a \$2,835,000 Series 2014 bond anticipation note, the proceeds of which were used to reimburse the developer for certain offsite wastewater facilities, water and wastewater impact fees, engineering fees, plus certain organizational, creation and operational costs. Also during the current fiscal year, the District issued \$4,000,000 of Series 2015 Unlimited Tax Bonds, the proceeds of which were used to retire the principal and pay the related interest on the Series 2014 bond anticipation note and to pay for interest on developer funded construction projects and various bond issuance costs.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$509,825 in the current fiscal year. Net position decreased from a deficit balance of \$1,141,731 at September 30, 2014 to a deficit balance of \$1,651,556 at September 30, 2015.

**OVERVIEW OF THE DISTRICT**

The District was created, organized and established on June 20, 2003, by Texas House Bill No. 3560 relating to the creation, administration, powers, duties, operation and financing of the District.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**USING THIS ANNUAL REPORT**

This annual report consists of five 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))

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

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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

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

The *Notes to the 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.



**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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)
	2015	2014	
Current and other assets	\$ 1,181,938	\$ 449,520	\$ 732,418
Capital and non-current assets	2,582,853	180,565	2,402,288
<b>Total Assets</b>	<b>3,764,791</b>	<b>630,085</b>	<b>3,134,706</b>
Current liabilities	92,178	82,321	9,857
Long-term liabilities	5,324,169	1,689,495	3,634,674
<b>Total Liabilities</b>	<b>5,416,347</b>	<b>1,771,816</b>	<b>3,644,531</b>
Net investment in capital assets	(1,059,456)	-	(1,059,456)
Restricted for debt service	309,517	-	309,517
Unrestricted	(901,617)	(1,141,731)	240,114
<b>Total Net Position</b>	<b>\$ (1,651,556)</b>	<b>\$ (1,141,731)</b>	<b>\$ (509,825)</b>

The District's net position decreased by \$509,825 during the 2015 fiscal year to a deficit balance of \$1,651,556 at September 30, 2015 from a deficit balance of \$1,141,731 at September 30, 2014. The District's unrestricted net position, which can be used to finance day to day operations, increased \$240,114 from the previous fiscal year.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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

**Revenues and Expenses:**

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2015	2014	
Property taxes, including penalties	\$ 426,923	\$ 518,798	\$ (91,875)
Other	233	6,726	(6,493)
<b>Total Revenues</b>	<b>427,156</b>	<b>525,524</b>	<b>(98,368)</b>
Professional fees	116,516	110,164	6,352
Water and wastewater fees	131,211	114,659	16,552
Security patrol fees	51,120	-	51,120
Recurring operating	33,393	18,693	14,700
Debt service	441,605	-	441,605
Capital outlay	126,003	-	126,003
Depreciation and amortization	37,133	-	37,133
<b>Total Expenses</b>	<b>936,981</b>	<b>243,516</b>	<b>693,465</b>
Change in Net Position	(509,825)	282,008	(791,833)
Beginning Net Position	(1,141,731)	(1,423,739)	282,008
Ending Net Position	<b>\$ (1,651,556)</b>	<b>\$ (1,141,731)</b>	<b>\$ (509,825)</b>

Revenues were \$427,156 for the fiscal year ended September 30, 2015, while expenses were \$936,981. Net position decreased \$509,825 during the 2015 fiscal year.

Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2014 tax year (September 30, 2015 fiscal year) were based upon a current assessed value of \$50,197,314 and a tax rate of \$0.85 per \$100 of assessed valuation. Property taxes levied for the 2013 tax year (September 30, 2014 fiscal year) were based upon an adjusted assessed valuation of \$16,269,075 and a tax rate of \$0.85 per \$100 of assessed valuation. Property taxes are the primary source of revenue for the District.

Property tax revenue in the current fiscal year totaled \$426,923, a decrease of \$91,875 from fiscal year 2014. Despite the increase in the assessed value of the District, property tax revenue decreased as a result of rollbacks applied to prior fiscal years. In fiscal year 2014, rollbacks accounted for approximately \$380,000 of total property tax revenue.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**ANALYSIS OF GOVERNMENTAL FUNDS**

Governmental Funds by Year

	2015	2014	2013
Cash and cash equivalents	\$ 1,150,179	\$ 173,904	\$ 1,515
Receivables	1,891	232,288	-
Prepaid expenditures	31,622	43,328	3,786
<b>Total Assets</b>	<b>\$ 1,183,692</b>	<b>\$ 449,520</b>	<b>\$ 5,301</b>
Accounts payable	\$ 86,945	\$ 82,321	\$ 50,110
Interfund payables	1,754	-	-
<b>Total Liabilities</b>	<b>88,699</b>	<b>82,321</b>	<b>50,110</b>
Deferred Inflows of Resources	137	83,023	-
Nonspendable	9,868	43,328	3,786
Restricted	654,992	-	-
Assigned	-	91,854	-
Unassigned	429,996	148,994	(48,595)
<b>Total Fund Balance/(Deficit)</b>	<b>1,094,856</b>	<b>284,176</b>	<b>(44,809)</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance/(Deficit)</b>	<b>\$ 1,183,692</b>	<b>\$ 449,520</b>	<b>\$ 5,301</b>

As of September 30, 2015, the District's governmental funds reflected a total fund balance of \$1,094,856, of which \$429,996 is considered unassigned fund balance.

**CAPITAL ASSETS**

The District's governmental activities have invested \$2,582,853 in land and easements and water, wastewater and drainage facilities. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2015	9/30/2014
Land and easements	\$ 180,565	\$ 180,565
Water/wastewater/drainage facilities	2,439,363	-
Less: Accumulated depreciation	(37,075)	-
<b>Total Net Capital Assets</b>	<b>\$ 2,582,853</b>	<b>\$ 180,565</b>

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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**LONG-TERM DEBT ACTIVITY**

Voters within the District have approved authorization to issue \$121,000,000 of unlimited tax bonds to fund the cost of proposed facilities and related non-construction costs based upon the District engineer's reports. Additionally, \$10,000,000 of bonds to fund costs for parks and recreational facilities were approved by voters of the District. As of September 30, 2015, \$4,000,000 of unlimited tax bonds have been issued, all of which remains outstanding at September 30, 2015.

During fiscal year 2015, the District repaid the developer \$347,877 for funds previously advanced to the District. At September 30, 2015, the District still owed \$1,341,618 to the developer for advances used to fund operating activities and purchase capital assets.

**BUDGETARY HIGHLIGHTS**

The *General Fund* pays for daily operating costs. On August 7, 2014, the Board of Directors approved a budget including revenues of \$322,680 as compared to expenditures of \$414,534 for the 2015 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive variance of \$247,542 for the 2015 fiscal year primarily due to increased property tax receipts, and fewer drainage fees, repairs and maintenance, and engineering fees. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

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

The property tax assessed value and net taxable value for the 2015 tax year is approximately \$84.5 million. The fiscal year 2016 tax rate is \$0.85 on each \$100 of taxable value. Approximately 88% of the property tax will fund general operating expenses and approximately 12% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2016 projects an operating fund balance increase of \$177,357. Compared to the fiscal year 2015 budget, revenues are expected to increase by approximately \$298,000 and expenditures are expected to increase by approximately \$29,000.

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

**BASIC  
FINANCIAL STATEMENTS**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
STATEMENT OF NET POSITION AND  
GOVERNMENTAL FUNDS BALANCE SHEET  
SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<b>ASSETS:</b>						
Cash and cash equivalents:						
Cash	\$ 37,702	\$ -	\$ -	\$ 37,702	\$ -	\$ 37,702
Cash equivalents	477,485	314,750	320,242	1,112,477	-	1,112,477
Receivables:						
Property taxes	137	-	-	137	-	137
Interfund	1,754	-	-	1,754	(1,754)	-
Prepaid expenditures	9,868	-	21,754	31,622	-	31,622
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	180,565	180,565
Water/wastewater/drainage facilities	-	-	-	-	2,402,288	2,402,288
<b>TOTAL ASSETS</b>	<b>\$ 526,946</b>	<b>\$ 314,750</b>	<b>\$ 341,996</b>	<b>\$ 1,183,692</b>	<b>2,581,099</b>	<b>3,764,791</b>
<b>LIABILITIES:</b>						
Accounts payable	86,945	-	-	86,945	-	86,945
Accrued interest payable	-	-	-	-	5,233	5,233
Interfund payables	-	-	1,754	1,754	(1,754)	-
Long-term liabilities -						
Due to developer	-	-	-	-	1,341,618	1,341,618
Bonds payable-						
Due after one year	-	-	-	-	3,982,551	3,982,551
<b>TOTAL LIABILITIES</b>	<b>86,945</b>	<b>-</b>	<b>1,754</b>	<b>88,699</b>	<b>5,327,648</b>	<b>5,416,347</b>
<b>DEFERRED INFLOWS OF RESOURCES-</b>						
Property taxes	137	-	-	137	(137)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>137</b>	<b>-</b>	<b>-</b>	<b>137</b>	<b>(137)</b>	<b>-</b>
<b>FUND BALANCES / NET POSITION:</b>						
Fund balances:						
Nonspendable	9,868	-	-	9,868	(9,868)	-
Restricted for:						
Debt service	-	314,750	-	314,750	(314,750)	-
Capital projects	-	-	340,242	340,242	(340,242)	-
Unassigned	429,996	-	-	429,996	(429,996)	-
<b>TOTAL FUND BALANCES</b>	<b>439,864</b>	<b>314,750</b>	<b>340,242</b>	<b>1,094,856</b>	<b>(1,094,856)</b>	<b>-</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 526,946</b>	<b>\$ 314,750</b>	<b>\$ 341,996</b>	<b>\$ 1,183,692</b>		
Net position:						
Net investment in capital assets					(1,059,456)	(1,059,456)
Restricted for debt service					309,517	309,517
Unrestricted					(901,617)	(901,617)
<b>TOTAL NET POSITION</b>					<b>\$ (1,651,556)</b>	<b>\$ (1,651,556)</b>

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED SEPTEMBER 30, 2015**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
<b>REVENUES:</b>						
Property taxes, including penalties	\$ 509,809	\$ -	\$ -	\$ 509,809	\$ (82,886)	\$ 426,923
Other	160	11	62	233	-	233
<b>TOTAL REVENUES</b>	<b>509,969</b>	<b>11</b>	<b>62</b>	<b>510,042</b>	<b>(82,886)</b>	<b>427,156</b>
<b>EXPENDITURES / EXPENSES:</b>						
Legal fees	81,755	-	-	81,755	-	81,755
Wastewater monthly fees	75,600	-	-	75,600	-	75,600
Security patrol fees	51,120	-	-	51,120	-	51,120
Water reservation fees	35,222	-	-	35,222	-	35,222
Drainage fees	20,389	-	-	20,389	-	20,389
Bookkeeping fees	14,250	-	-	14,250	-	14,250
Audit fees	11,000	-	-	11,000	-	11,000
Director fees, including payroll taxes	10,994	-	-	10,994	-	10,994
Repairs and maintenance	9,587	-	-	9,587	-	9,587
Engineering fees	9,511	-	-	9,511	-	9,511
Insurance	8,602	-	-	8,602	-	8,602
Tax appraisal/collection fees	3,223	-	-	3,223	-	3,223
Other	987	-	-	987	-	987
Debt service:						
Interest	-	-	41,675	41,675	5,233	46,908
Bond issue costs	-	-	394,697	394,697	-	394,697
Capital outlay	22,041	-	2,543,325	2,565,366	(2,439,363)	126,003
Depreciation	-	-	-	-	37,075	37,075
Amortization	-	-	-	-	58	58
Repayment of developer advances	347,877	-	-	347,877	(347,877)	-
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>702,158</b>	<b>-</b>	<b>2,979,697</b>	<b>3,681,855</b>	<b>(2,744,874)</b>	<b>936,981</b>
Excess (deficit) of revenues over (under) expenditures / expenses	(192,189)	11	(2,979,635)	(3,171,813)	2,661,988	(509,825)
<b>OTHER FINANCING SOURCES (USES):</b>						
Proceeds from sale of bonds	347,877	314,739	3,337,384	4,000,000	(4,000,000)	-
Discount on sale of bonds	-	-	(17,507)	(17,507)	17,507	-
<b>TOTAL OTHER FINANCING SOURCES, NET</b>	<b>347,877</b>	<b>314,739</b>	<b>3,319,877</b>	<b>3,982,493</b>	<b>(3,982,493)</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>155,688</b>	<b>314,750</b>	<b>340,242</b>	<b>810,680</b>	<b>(810,680)</b>	<b>-</b>
<b>CHANGE IN NET POSITION</b>					<b>(509,825)</b>	<b>(509,825)</b>
<b>FUND BALANCES / NET POSITION:</b>						
Beginning of the year	284,176	-	-	284,176	(1,425,907)	(1,141,731)
End of the year	<u>\$ 439,864</u>	<u>\$ 314,750</u>	<u>\$ 340,242</u>	<u>\$ 1,094,856</u>	<u>\$ (2,746,412)</u>	<u>\$ (1,651,556)</u>

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

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**



**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Williamson County Municipal Utility District No. 12 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Reporting Entity** - The District was created, organized and established on June 20, 2003, by Texas House Bill No. 3560 relating to the creation, administration, powers, duties, operation and financing of the District. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB Statement No. 14, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units which are included in the District's reporting entity.

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

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

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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

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

**Governmental Fund Types** - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets 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, debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

***Basis of Accounting***

- **Governmental Funds**

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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

***Basis of Accounting (continued)***

*Fund Financial Statements* - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets 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 for the year ended September 30, 2015. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred inflows of resources on its combined balance sheet. Deferred inflows of resources 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 combined balance sheet and revenue is recognized.

***Budgets and Budgetary Accounting*** - A budget was adopted on August 7, 2014, 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. The budget was not amended during the fiscal year.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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

*Cash and cash equivalents* - Cash and cash equivalents include cash on deposit as well as investments with maturities of three months or less. The short-term investments, consisting of obligations in the State Treasurer’s Investment Pool, are recorded at cost, which approximates fair market value.

*Prepaid Expenditures* - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the government-wide and fund financial statements. Prepaid expenditures will be charged to expenditures when consumed.

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

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

Asset	Years
Water, Wastewater and Drainage Facilities	50

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

*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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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

***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.

***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.

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

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

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

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

**2. RECONCILIATION OF THE GOVERNMENTAL FUNDS**

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

Fund balances - total governmental funds		\$ 1,094,856
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds:		
Capital assets (including land and easements)	2,619,928	
Less: Accumulated depreciation	<u>(37,075)</u>	2,582,853
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available.		137
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Developer advances	(1,341,618)	
Bonds payable	(4,000,000)	
Bond discounts, net	17,449	
Accrued interest	<u>(5,233)</u>	<u>(5,329,402)</u>
Total net position		<u><u>\$ (1,651,556)</u></u>

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		\$ 810,680
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond proceeds in year received, net of bond discount	(3,982,493)	
Interest expenditures in year paid	(5,233)	
Tax revenue when collected	(82,886)	
Capital outlay in year paid	2,439,363	
Repayment of developer advances in year paid	<u>347,877</u>	(1,283,372)
Governmental funds do not report:		
Depreciation	(37,075)	
Amortization of bond discount	<u>(58)</u>	<u>(37,133)</u>
Change in net position		<u><u>\$ (509,825)</u></u>

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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

**Cash** - At September 30, 2015, the carrying amount of the District's deposits was \$37,702 and the bank balance was \$38,202. 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.

**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.

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
NOTES TO THE BASIC FINANCIAL STATEMENTS  
YEAR ENDED SEPTEMBER 30, 2015**

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

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

Cash Equivalents	Fair Market Value at 9/30/2015	Weighted Average Maturity (Days)	Investment Rating	
			Rating	Rating Agency
TexPool	\$ 1,112,477	1	AAAm	Standard & Poors

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

**Concentration of credit risk** - In accordance with the District’s investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2015, 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 government’s investment policy requires that the District’s deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2015, the District’s bank deposits were fully covered by FDIC insurance and other pledged collateral.



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**4. PROPERTY TAXES**

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Williamson County Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected and become available to finance expenditures of the District in the current fiscal period. The uncollected balance is reported as deferred inflows of resources. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges. The maximum allowable maintenance tax of \$1.00 was established by the voters on September 10, 2005.

In September 2014, the District levied a tax rate of \$0.85 per \$100 of assessed valuation to finance operating expenditures. The total 2014 tax levy (plus adjustments) was \$426,677 based on a taxable valuation of \$50,197,314. At September 30, 2015, the District had outstanding property tax receivables of \$137, all of which were related to the 2014 tax levy.

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

**5. INTERFUND ACCOUNTS**

A summary of interfund accounts at September 30, 2015, is as follows:

	Interfund	
	Receivables	Payables
General Fund -		
Capital Projects Fund	\$ 1,754	\$ -
Capital Projects Fund -		
General Fund	-	1,754
	\$ 1,754	\$ 1,754

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**6. CHANGES IN CAPITAL ASSETS**

A summary of changes in capital assets follows:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
Capital assets not being depreciated-				
Land and easements	\$ 180,565	\$ -	\$ -	\$ 180,565
Total capital assets not being depreciated	180,565	-	-	180,565
Capital assets being depreciated-				
Water/wastewater/drainage facilities	-	2,439,363	-	2,439,363
Total capital assets being depreciated	-	2,439,363	-	2,439,363
Less accumulated depreciation for-				
Water/wastewater/drainage facilities	-	(37,075)	-	(37,075)
Total accumulated depreciation	-	(37,075)	-	(37,075)
Total capital assets being depreciated, net of accumulated depreciation	-	2,402,288	-	2,402,288
Total capital assets, net	\$ 180,565	\$ 2,402,288	\$ -	\$ 2,582,853

**7. LONG-TERM DEBT**

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

	Unlimited Tax Bonds
Bonds payable at September 30, 2014	\$ -
Bond anticipation note issued	2,835,000
Bonds issued	4,000,000
Bond anticipation note retired	(2,835,000)
Bond discount, net of accumulated amortization	(17,449)
Bonds payable at September 30, 2015	\$ 3,982,551

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

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

**Unlimited Tax Bonds -**

\$4,000,000 - 2015 Unlimited Tax Bonds payable serially through the year 2040 at interest rates which range from 3.00% to 4.00%.

On December 17, 2014, the District issued a \$2,835,000 bond anticipation note with an interest rate of 1.96% and a scheduled maturity of December 16, 2015. The net proceeds of the bond anticipation note totaled \$2,765,077 (after payment of \$69,923 in related issuance costs) and were deposited with the District's investment accounts to finance certain offsite wastewater facilities, water and wastewater impact fees, engineering fees, plus certain organizational, operational and creation costs previously paid by the developer of the District. The bond anticipation note was retired in September 2015, and the related principal and interest of \$2,835,000 and \$41,675, respectively, were paid from the proceeds of the District's Series 2015 Unlimited Tax Bonds.

On September 17, 2015, the District issued \$4,000,000 of Unlimited Tax Bonds, Series 2015, with interest rates ranging from 3.00% to 4.00%. The net proceeds of \$3,659,075 (after payment of \$340,925 in underwriter fees, insurance, and other bond issuance related costs) were deposited with the District's investment accounts and used to finance developer interest on construction costs previously funded by the bond anticipation note, to retire the Series 2014 bond anticipation note principal and pay in full all outstanding bond anticipation note interest, and to pay for accrued bond interest and subsequent bond issuance costs.

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

<u>Year Ended September 30,</u>	<u>Annual Requirements for All Series</u>		
	Principal	Interest	Total
2016	\$ -	\$ 132,026	\$ 132,026
2017	-	144,906	144,906
2018	95,000	144,906	239,906
2019	100,000	142,056	242,056
2020	105,000	139,056	244,056
2021-2025	620,000	644,130	1,264,130
2026-2030	790,000	536,433	1,326,433
2031-2035	1,000,000	379,100	1,379,100
2036-2040	1,290,000	159,800	1,449,800
	\$ 4,000,000	\$ 2,422,413	\$ 6,422,413

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

\$314,750 is available in the Debt Service Fund to service the bonded debt. Bonds authorized but not issued as of September 30, 2015, are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 117,000,000
Refunding Bonds	\$ 166,500,000
Park and Recreational Facilities	\$ 10,000,000

**8. 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 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.

**9. COMMITMENTS AND CONTINGENCIES**

In 2006, the District entered into a Non-Standard Water and Wastewater Service Agreement with Chisholm Trail Special Utility District ("CTSUD") and the developer, whereby CTSUD agreed to provide retail water and wastewater service to the District. The District agreed to pay an Annual Water Supply Reservation Fee to the Brazos River Authority equal to \$62.50 times 1,584 reserved Living Unit Equivalents ("LUEs") times 0.40 (the conversion factor between one acre-foot and one LUE). The annual water supply reservation fee is calculated as of January 1 and due January 31 of each reservation period. The calculation is equal to the product of multiplying the reservation fee times the reserved LUEs less the total number of active connections within the District, as of January 1 of each year. The total water supply reservation fees paid during the fiscal year ended September 30, 2015 were \$35,222. During 2013, this agreement was assigned to the City of Liberty Hill ("Liberty Hill").

In April 2013, the District entered into an Interlocal Agreement Concerning Sewer Service with Liberty Hill, whereby the District agrees to assign the waste discharge permit to Liberty Hill at such time a permit is obtained to build a wastewater plant within the District. In return, Liberty Hill will provide a total of 9,251 LUEs of wastewater service, with a minimum of 1,584 of those LUEs allocated to the District.

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**9. COMMITMENTS AND CONTINGENCIES (continued)**

On October 24, 2013, the District entered into a Wastewater Operation Services Agreement with Liberty Hill which provides that Liberty Hill will bill, collect, operate and maintain the District's wastewater system on behalf of the District. Liberty Hill began providing these services on November 1, 2013 and is to pay the costs of operations and maintenance of the wastewater system. In the event of any repair, replacement or improvement of the wastewater system that is projected to cost in excess of \$5,000, the District is to provide the funds to Liberty Hill to make the repair or is responsible for the repair itself.

In 2013, NASH Rancho Hills, LLC ("NASH") purchased all residential property within the District from Rancho Sienna KC, LP ("Rancho"). Pursuant to the utility allocation agreement, Rancho and NASH agreed that 1,394 LUEs of water capacity and 1,352 LUEs of wastewater capacity would be set aside for NASH for the benefit of the land acquired under the Purchase and Sale Agreement. NASH acquired the balance of the prepaid water impact fees under Agreement No. 5, and NASH also acquired the remaining prepaid wastewater impact fees pursuant to the \$380,000 previously paid by Rancho for wastewater impact fees. Rancho and NASH are to pay any other water and wastewater impact fees. Rancho and NASH are to also pay their pro rata share of the Reservation Fees under the Non-Standard Water and Wastewater Service Agreement discussed above.

The District is currently under development and the construction of facilities is being paid by the developer of the District. The Board authorized the funding of the projects and the reimbursement of the developer for the cost of the projects out of bond proceeds when the bonds are authorized and issued. The bond proceeds will be used to purchase all of the capital assets within the District including related infrastructure. Voters within the District have approved authorization to issue \$121,000,000 of unlimited tax bonds to fund the cost of proposed facilities and related non-construction costs based upon the District engineer's reports. Additionally, \$10,000,000 of bonds to fund costs for parks and recreational facilities were approved by voters of the District. As of September 30, 2015, \$4,000,000 of unlimited tax bonds have been issued. As of September 30, 2015, the District owed \$1,341,618 to the developer for advances used to fund operating activities and purchase capital assets.

**10. FUND BALANCES**

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

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**10. FUND BALANCES (continued)**

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

The detail of the fund balances is included in the Governmental Fund 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.

**11. SUBSEQUENT EVENT**

On December 10, 2015, the District issued a bond anticipation note for \$2,740,000. Proceeds of the bond anticipation note were used to reimburse a developer within the District for the District's portion of certain offsite wastewater facilities, water and wastewater impact fees, engineering fees, plus certain organizational and operational costs. The bond anticipation note was issued at an interest rate of 1.235%, with principal scheduled to mature on December 1, 2016.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**WILLIAMSON COUNTY  
MUNICIPAL UTILITY DISTRICT NO. 12  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED SEPTEMBER 30, 2015**

	Actual	Original and Final Budget	Variance Positive (Negative)
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 509,809	\$ 322,680	\$ 187,129
Other	160	-	160
<b>TOTAL REVENUES</b>	<b>509,969</b>	<b>322,680</b>	<b>187,289</b>
<b>EXPENDITURES:</b>			
Legal fees	81,755	90,000	8,245
Wastewater monthly fees	75,600	75,600	-
Security patrol fees	51,120	52,800	1,680
Water reservation fees	35,222	30,000	(5,222)
Drainage fees	20,389	57,600	37,211
Bookkeeping fees	14,250	16,350	2,100
Audit fees	11,000	11,000	-
Director fees, including payroll taxes	10,994	10,284	(710)
Repairs and maintenance	9,587	30,000	20,413
Engineering fees	9,511	30,000	20,489
Insurance	8,602	6,800	(1,802)
Tax appraisal/collection fees	3,223	1,700	(1,523)
Other	987	2,400	1,413
Capital outlay	22,041	-	(22,041)
Repayment of developer advances	347,877	-	(347,877)
<b>TOTAL EXPENDITURES</b>	<b>702,158</b>	<b>414,534</b>	<b>(287,624)</b>
Deficit of revenues under expenditures	(192,189)	(91,854)	(100,335)
<b>OTHER FINANCING SOURCES -</b>			
Proceeds from sale of bonds	347,877	-	347,877
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>347,877</b>	<b>-</b>	<b>347,877</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>155,688</b>	<b>\$ (91,854)</b>	<b>\$ 247,542</b>
Beginning of the year	284,176		
End of the year	\$ 439,864		