

OFFICIAL STATEMENT

Dated July 15, 2021

Rating:
S&P: "AA"
See ("OTHER INFORMATION
– Rating" herein)

NEW ISSUE – Book-Entry-Only

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

\$13,425,000

TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 17
(A political subdivision of the State of Texas located within Travis County, Texas)
WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2021

Dated Date: August 24, 2021

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

Interest to Accrue from the Date of Initial Delivery (as defined below)

PAYMENT TERMS . . . Interest on the \$13,425,000 Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Bonds, Series 2021 (the "Bonds") will accrue from the Date of Initial Delivery, defined below, and will be payable May 1, 2022, and each November 1 and May 1 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. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., 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 BONDS – Book-Entry-Only System" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE BONDS – Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to an Order of the Texas Commission on Environmental Quality, the resolution adopted by the Board of Directors of the District on July 15, 2021 (the "Bond Resolution"), the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended. The Bonds, together with the District's outstanding parity Water and Sewer System Revenue Bonds (the "Outstanding Bonds"), and any additional parity obligations (the "Additional Bonds") that may be issued from time to time in accordance with the Bond Resolution (collectively, the "Bonds Similarly Secured") are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the District's water and sewer system (the "System"). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds, the Outstanding Bonds and Additional Bonds shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the "Reserve Fund") pledged to the payment of the Bonds Similarly Secured and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Bonds Similarly Secured (see "SELECTED PROVISIONS OF THE BOND RESOLUTION"). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see "THE BONDS – Authority for Issuance" and "SECURITY FOR THE BONDS").

PURPOSE . . . Proceeds of the Bonds will be used to finance (i) the District's share of the Flintrock wastewater treatment plant improvements and related engineering fees and contingencies, (ii) an additional reserve fund deposit as required by the Bond Resolution and (iii) the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

CUSIP PREFIX: 89452P
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered by the District subject to prior sale, when, as and if issued by the District and accepted by the Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, Austin, Texas (see "APPENDIX C – Form of Bond Counsel's Opinion").

DELIVERY . . . The Bonds are expected to be available for delivery through DTC on August 24, 2021 (the "Date of Initial Delivery").

MATURITY SCHEDULE

11/1 Maturity	Principal Amount	Interest Rate	Initial Yield ^(a)	CUSIP Numbers ^(b)
2022	\$ 365,000	2.000%	0.250%	89452PGF1
2023	375,000	2.000%	0.300%	89452PGG9
2024	390,000	2.000%	0.400%	89452PGH7
2025	400,000	2.000%	0.550%	89452PGJ3
2026	415,000	2.000%	0.650%	89452PGK0
2027	425,000	2.000%	0.800%	(c) 89452PGL8
2028	440,000	1.000%	1.150%	89452PGM6
2029	450,000	1.000%	1.300%	89452PGN4
2030	465,000	1.250%	1.500%	89452PGP9
2031	480,000	2.000%	1.250%	(c) 89452PGQ7
2032	495,000	2.000%	1.450%	(c) 89452PGR5
2033	510,000	2.000%	1.550%	(c) 89452PGS3
2034	525,000	2.000%	1.650%	(c) 89452PGT1
***	***	***	***	***
2037	575,000	2.000%	2.040%	89452PGW4
2038	590,000	2.000%	2.070%	89452PGX2

\$1,095,000 2.000% Term Bonds due November 1, 2036 at a Price to Yield 2.000%^(a) – 89452PGV6^(b)

\$1,240,000 2.000% Term Bonds due November 1, 2040 at a Price to Yield 2.100%^(a) – 89452PGZ7^(b)

\$2,000,000 2.000% Term Bonds due November 1, 2043 at a Price to Yield 2.200%^(a) – 89452PHC7^(b)

\$2,190,000 2.250% Term Bonds due November 1, 2046 at a Price to Yield 2.300%^(a) – 89452PHF0^(b)

(Interest to Accrue from the Date of Initial Delivery)

- (a) The initial yields are established by and are the sole responsibility of the Purchaser and may subsequently be changed.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. None of the District, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (c) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on November 1, 2026, the first optional redemption date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after November 1, 2027, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on November 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption”). Additionally, Term Bonds maturing on November 1 in the years 2036, 2040, 2043 and 2046 are subject to mandatory sinking fund redemption (see “THE BONDS – Mandatory Sinking Fund Redemption”).

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a “Final Official Statement” of the District with respect to the Bonds, as that term is defined in 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 representation 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, 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., the District’s financial advisor (the “Financial Advisor”), 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 the Official Statement until delivery of the Bonds to the Purchaser and thereafter only as specified in "CONTINUING DISCLOSURE OF INFORMATION."

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

SALE AND DISTRIBUTION OF THE BONDS

THE PRICES AND OTHER TERMS WITH RESPECT TO THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE 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 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 understanding with the Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Purchaser.

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 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 United States Securities and Exchange Commission (the "SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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.

NEITHER THE SEC NOR ANY STATE COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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OFFICIAL STATEMENT SUMMARY

This summary is subject in all respects to the more complete information and definitions contained or incorporated in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

- THE DISTRICT**..... The District was created on December 8, 1958 by order of the Travis County Commissioners Court and confirmed by the District voters on February 28, 1959. At creation, the District encompassed approximately 4,500 acres of land. Subsequent annexations have increased the size of the District to approximately 15,000 acres. See “THE DISTRICT.”
- THE BONDS** The \$13,425,000 Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Bonds, Series 2021 are issued as serial Bonds maturing on November 1 in the years 2022 through 2034, 2037 and 2038 and as Term Bonds maturing on November 1 in the years 2036, 2040, 2043 and 2046 (see “THE BONDS – Description of the Bonds”).
- PAYMENT OF INTEREST** Interest on the Bonds accrues from the Date of Initial Delivery and is payable May 1, 2022, and each November 1 and May 1 thereafter until maturity or prior redemption (see “THE BONDS – Description of the Bonds” and “THE BONDS – Redemption”).
- AUTHORITY FOR ISSUANCE** The Bonds are issued pursuant to a resolution adopted by the Board of Directors of the District authorizing the issuance of the Bonds on July 15, 2021 (the “Bond Resolution”), an order of the Texas Commission on Environmental Quality dated June 2, 2021, Article 16, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 51, Texas Water Code, as amended (see “THE BONDS – Authority for Issuance”).
- SECURITY FOR THE BONDS** The Bonds constitute special obligations of the District, and, together with the District’s outstanding parity Water and Sewer System Revenue Bonds and Water and Sewer System Revenue Refunding Bonds (collectively the “Outstanding Bonds”) and any additional parity obligations (the “Additional Bonds”) that may be issued from time to time in accordance with the Bond Resolution (collectively, the “Bonds Similarly Secured”), are payable, both as to principal and interest, solely from and secured by a lien on and pledge of the Net Revenues of the District’s water and sewer system (the “System”). The Net Revenues consist of the gross revenues of the System, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Bonds, the Outstanding Bonds, and any Additional Bonds shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the “Reserve Fund”) pledged to the payment of the Bonds Similarly Secured and is required to maintain an amount in the Reserve Fund equal to average annual debt service requirements on the Bonds Similarly Secured (see “SELECTED PROVISIONS OF THE BOND RESOLUTION”). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation** (see “SECURITY FOR THE BONDS”).
- REDEMPTION** The District reserves the right, at its option, to redeem Bonds having stated maturities on and after November 1, 2027, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on November 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption”). Additionally, Term Bonds maturing on November 1 in the years 2036, 2040, 2043 and 2046 are subject to mandatory sinking fund redemption (see “THE BONDS – Mandatory Sinking Fund Redemption”).
- TAX EXEMPTION**..... In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof. See “TAX MATTERS” herein for a discussion of the opinion of Bond Counsel.
- USE OF PROCEEDS** Proceeds of the Bonds will be used to finance (i) the District’s share of the Flintrock wastewater treatment plant improvements and related engineering fees and contingencies, (ii) an additional reserve fund deposit as required by the Bond Resolution and (iii) the costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
- RATING**..... The Bonds and the outstanding water and sewer system debt of the District are rated “AA” by S&P Global Ratings (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – Rating”).

BOOK-ENTRY-ONLY

SYSTEM..... The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., 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 BONDS – Book-Entry-Only System”).

PAYMENT RECORD The District has never defaulted in payment of its outstanding bonds.

INVESTMENT CONSIDERATIONS... 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 “INVESTMENT CONSIDERATIONS.”

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DISTRICT OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Occupation</u>	<u>Term Expires</u>
Jeff Roberts	President	Contracts Executive	2024
Mickey Decker	Vice President	Business Owner	2022
Vacant ^(a)	Secretary		
Kenneth M. Smith	Assistant Secretary	Retired Hospitality Consultant	2022
Elicia G. Michaud	Director	Real Estate Broker	2022

(a) Jerri Lynn Ward tendered her resignation effective as of June 25, 2021. The District is in the process of finding a replacement for her position.

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>
Jason F. Homan	General Manager	4 Years
Bart Sanchez	Administration & Finance Manager	New

CONSULTANTS AND ADVISORS

Auditors Maxwell Locke & Ritter LLP
Austin, Texas

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

Financial Advisor.....Specialized Public Finance Inc.
Austin, Texas

For additional information regarding the District, please contact:

Jason F. Homan General Manager Travis County Water Control and Improvement District No. 17 3812 Eck Lane Austin, Texas 78734 (512) 266-1111; Ext 113 www.wcid17.org	or	Garry Kimball Managing Director Specialized Public Finance Inc. 248 Addie Roy Road Suite B-103 Austin, Texas 78746 (512) 275-7300 www.spfmuni.com
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OFFICIAL STATEMENT

RELATING TO \$13,425,000 TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 17 WATER AND SEWER SYSTEM REVENUE BONDS, SERIES 2021

INTRODUCTION

GENERAL . . . This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$13,425,000 Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Bonds, Series 2021. Capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the Bond Resolution, as defined herein, adopted by the Board of the District on July 15, 2021 authorizing the issuance of the Bonds (see “SELECTED PROVISIONS OF THE BOND RESOLUTION”).

There follows in this Official Statement descriptions of the Bonds and certain information regarding the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the District’s Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

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

DESCRIPTION OF THE DISTRICT . . . The District is a water control and improvement district created by an order of the Commissioner’s Court of Travis County, Texas on December 8, 1958 and confirmed by the voters within the District at an election held on February 28, 1959. The District is a political subdivision of Texas with the rights, powers, privileges, and authority established by the general laws of the State of Texas, including particularly Chapters 49 and 51 of the Texas Water Code. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality (the “TCEQ”) and is located within the extraterritorial jurisdiction of the Cities of Austin, Lakeway and Bee Cave. Additionally, portions of the District lie within the limited purpose jurisdiction of the City of Austin and the corporate limits of the City of Lakeway.

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 issues bonds and other forms of indebtedness to purchase or construct such facilities. The District provides water, wastewater and drainage service to residents of the District and certain out-of-District customers. The District in 2020 provided water service to 12,404 accounts (over 18,000 living unit equivalents (“LUEs”)) and wastewater service to approximately 7,378 connections.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District’s water, wastewater and storm drainage system is subject to the regulatory jurisdiction of federal and state governmental agencies.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated August 24, 2021, and mature on November 1 in each of the years and in the amounts shown on page two hereof. Interest will accrue from the Date of Initial Delivery and will be computed on the basis of a 360-day year comprised of twelve 30-day months, and will be payable on May 1, 2022, and each November 1 and May 1 thereafter until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and 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 (the “Book-Entry-Only System”). **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., 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 BONDS – Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Bond Resolution, Article 16, Section 59 of the Texas Constitution, general laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended, and an order of the TCEQ.

REDEMPTION . . . *Optional Redemption.* The District reserves the right, at its option, to redeem Bonds having stated maturities on and after November 1, 2027, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on November 1, 2026, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the District may select the maturities, and sinking fund installment in the case of Term Bonds, of Bonds to be redeemed. If less than all the Bonds of any maturity, or sinking fund installment in the case of Term Bonds, are to be redeemed,

the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot or other customary random method the Bonds, or portions thereof, within such maturity, or sinking fund installment in the case of Term Bonds, to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on November 1 in the years 2036, 2040, 2043 and 2046 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

Term Bonds Due November 1, 2036		Term Bonds Due November 1, 2040	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
November 1, 2035	\$ 540,000	November 1, 2039	\$ 610,000
November 1, 2036*	555,000	November 1, 2040*	630,000

Term Bonds Due November 1, 2043		Term Bonds Due November 1, 2046	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
November 1, 2041	\$ 645,000	November 1, 2044	\$ 710,000
November 1, 2042	665,000	November 1, 2045	730,000
November 1, 2043*	690,000	November 1, 2046*	750,000

*Stated Maturity.

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

NOTICE OF REDEMPTION . . . Not less than 30 days prior to an optional redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND ANY OTHER CONDITION TO REDEMPTION SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DTC REDEMPTION PROVISION . . . The Paying Agent/Registrar and the District, so long as a book-entry-only is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Resolution or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of the bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. Participants in accordance with its rules or other agreements

with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants. Indirect Participants or the persons for whom DTC Participants act as nominees with respect to the payment on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of Bonds for redemption.

DEFEASANCE . . . General. The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of Net Revenues and all other general defeasance covenants in the Bond Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a “Defeased Bond”) within the meaning of the Bond Resolution, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Bonds to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, with reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). 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 Net Revenues of the System pledged as provided in the Bond Resolution and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such Defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities.

The deposit shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Resolution. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the Board of Directors also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times set forth in the Bond Resolution and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company 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 Board of Directors.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Resolution for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar or a commercial bank or trust company shall perform the services of Paying Agent/Registrar 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.

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

Retention of Rights . . . To the extent that, upon the defeasance of any Defeased 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 Bond Resolution authorizing its 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/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company 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/Registrar or a commercial bank or trust company 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.

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

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 no less than “AAA” or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

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

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid.

AMENDMENTS . . . The District may without the consent of or notice to any Registered Owner amend the Bond Resolution in any manner not detrimental to the interest of the Registered Owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Resolution, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may in the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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

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

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

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

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

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

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

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

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

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

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

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

Information concerning DTC and the Book-Entry Only System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the District or the Purchaser.

EFFECT OF TERMINATION OF BOOK-ENTRY ONLY SYSTEM . . . In the event that the Book-Entry Only System is discontinued by DTC or the use of the Book-Entry Only System is discontinued by the District, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Bond Resolution and summarized under "THE BONDS – Transfer, Exchange and Registration" below.

So long as Cede & Co. is the registered owner of the Bonds, the District will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. The District covenants to

maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the District agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate designated amount as the Bonds surrendered for exchange or transfer. See “THE BONDS – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the District nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

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 15th 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/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 Registered Owner 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.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs included herein were compiled by Green Civil Design, LLC, the District’s engineer (the “Engineer”), and Jones-Heroy Engineering, the District’s bond and regulatory consultant engineer, 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 the Engineer and the Financial Advisor. The non-construction costs will be finalized after the sale of the Bonds. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

	<u>COST PAID BY DISTRICT</u>
I. CONSTRUCTION COSTS	
A. Developer Contribution Items – None	
B. District Items:	
1. Flintrock Wastewater Treatment Plant Improvements	\$ 9,470,742
2. Engineering	947,604
3. Contingencies.....	<u>1,894,599</u>
Total District Contribution Items	\$ 12,312,945
TOTAL CONSTRUCTION COSTS (91.72% of BIR)	\$ 12,312,945
II. NON-CONSTRUCTION COSTS	
A. Legal Fees	\$ 134,250
B. Fiscal Agent Fees	167,813
C. Bond Discount (1.07%).....	143,472
D. Bond Issuance Expenses	47,179
E. Bond Application Report Costs.....	17,000
F. Debt Service Reserve Fund.....	0
G. Attorney General Fees (0.10%).....	9,500
H. TCEQ Fee (0.25% of BIR).....	33,563
I. Contingency ^(a)	<u>559,278</u>
Total Non-Construction Costs.....	\$ 1,112,055
TOTAL BOND ISSUE REQUIREMENT	\$ 13,425,000

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

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SECURITY FOR THE BONDS

The following summary of the provisions of the Bond Resolution that describe the security for the Bonds is qualified by reference to the Bond Resolution, excerpts of which are included herein under the heading “SELECTED PROVISIONS OF THE BOND RESOLUTION.”

NET REVENUES . . . The District has pledged the Net Revenues to secure the payment of the Bonds, the Outstanding Bonds shown below, and any Additional Bonds (as defined below) and has reserved the right, subject to certain conditions, to pledge the Net Revenues to secure additional parity obligations (“Additional Bonds”) from time to time in the future (see “SECURITY FOR THE BONDS – Issuance of Additional Bonds”). The Bond Resolution defines “Net Revenues” as gross revenues of the System plus, with respect to the Bonds, the wastewater capital recovery fees levied by the District for the Flintrock Wastewater Treatment Plant improvements project, less maintenance and operation expenses of the System. Depreciation and payments into and out of funds for the Outstanding Bonds, the Bonds and the Additional Bonds shall never be considered expenses of maintenance and operation. Additionally, the District has established a reserve fund (the “Reserve Fund”) pledged to pay principal of or interest on the Bonds Similarly Secured (as defined below) and covenants to maintain an amount equal to average annual debt service requirements on the Bonds Similarly Secured (see “SELECTED PROVISIONS OF THE BOND RESOLUTION”). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.**

The District has currently Outstanding Bonds secured by and payable from Net Revenues on parity with the Bonds as follows:

Dated Date	Outstanding Amount	Issue Description
04/01/2010	\$ 1,190,000	Water and Sewer System Revenue Bonds, Series 2010 (the “Series 2010 Bonds”)
07/21/2016	5,030,000	Water and Sewer System Revenue Refunding Bonds, Series 2016 (the “Series 2016 Bonds”)
08/08/2019	18,805,000	Water and Sewer System Revenue Refunding Bonds, Series 2019 (the “Series 2019 Bonds”)

The Series 2010 Bonds, the Series 2016 Bonds, and the Series 2019 Bonds are referred to hereinafter as the “Outstanding Bonds.” The “Bonds Similarly Secured” means, collectively, the Bonds, the Outstanding Bonds, and any Additional Bonds.

RESERVE FUND . . . In the Bond Resolution, the District has provided for the funding of a Reserve Fund to be held at a depository of the District, solely for the payment of principal and interest on the Bonds Similarly Secured. Following the issuance of the Bonds, the District will have on deposit \$1,928,007.71, representing the average annual debt service on the Outstanding Bonds and the Bonds. In connection with the issuance of any Additional Bonds or any draw on the Reserve Fund, the District has agreed in the Bond Resolution to make monthly deposits into the Bond Reserve Fund over a period of 60 months in amounts sufficient to meet the Required Reserve Amount, calculated from time to time as the average annual debt service on the Bonds Similarly Secured.

RATE COVENANT . . . In the Bond Resolution, the District has covenanted to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Net Revenues in each Fiscal Year reasonably anticipated to be sufficient : (i) to pay maintenance and operating expenses, depreciation charges and replacement and betterment costs; (ii) to pay the principal of and interest on the Bonds Similarly Secured, and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues; and (iii) to pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

ISSUANCE OF ADDITIONAL BONDS . . . The District expressly reserves and shall hereafter have the right to issue in one or more installments such other bonds as provided below. Such Bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues, to the same extent as pledged and in all things on a parity with the lien of these Bonds.

The District expressly reserves and shall hereafter have the right to issue in one or more installments the following:

- (1) **Additional Bonds.** The District expressly reserves the right to issue Additional Bonds payable solely from the Net Revenues of the System, for the purpose of completing, repairing, improving, extending, enlarging, or replacing the System, or refund bonds or other obligations issued in connection with the System, and such bonds may be payable from and equally secured by a lien on and pledge of said Net Revenues on a parity with the pledge thereof for these Bonds. Provided, however, that before the District can issue Additional Bonds payable solely from the Net Revenues of the System, an independent certified public accountant shall certify that the Net Revenues of the System for the last completed fiscal year or a 12 consecutive calendar month period ending no more than 90 days preceding the adoption of the resolution authorizing the Additional Bonds shall have been not less than 1.25 times the average annual debt service requirements of the Outstanding Bonds, the Bonds and any Additional Bonds. Additionally, in connection with the issuance of Additional Parity Bonds, the President of the Board and the District Manager shall

sign a written certificate to the effect that the District is not in default as to any covenant, condition or obligation in connection with the Outstanding Bonds, the Bonds and Additional Bonds and the bond resolutions authorizing the same and the Interest and Sinking Fund and the Reserve Fund each contain the amount then required to be therein.

- (2) **Inferior Lien Bonds.** The District also reserves the right to issue inferior lien bonds and to pledge the Net Revenues of the System, to the payment thereof, such pledge to be subordinate in all respects to the lien of these Bonds and the Outstanding Bonds and any Additional Bonds.

BONDHOLDERS' REMEDIES . . . The Bond Resolution provides that, in addition to all other rights and remedies of any Registered Owners 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 the appointment of a trustee to protect and enforce the interests of the Registered Owners or for the acceleration of the maturity of the Bonds upon the occurrence of a default in the District's obligations. Consequently, the remedy of mandamus is a remedy which may have to be enforced from year-to-year by the Registered Owners and may prove time consuming, costly and difficult to enforce.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. The Bonds are not secured by an interest in any improvements or any other property of the District. Under Texas law, no judgment obtained against the District may be enforced by execution of a levy against the District's public purpose property. The Registered Owners themselves cannot foreclose on property within the District or sell property within the District in order to pay principal of or interest on the Bonds. In addition, the enforceability of the rights and remedies of the Registered Owners may be delayed, reduced or otherwise affected or limited by federal bankruptcy laws or other similar laws affecting the rights of creditors of a political subdivision or by a state statute reasonably required to attain an important public purpose. See "INVESTMENT CONSIDERATIONS – Registered Owners' Remedies" and "– Bankruptcy Limitation to Registered Owners' Rights."

THE DISTRICT

AUTHORITY . . . The District is a water control and improvement district created by an order of the Commissioner's Court of Travis County, Texas on December 8, 1958 and confirmed by the voters within the District at an election held on February 28, 1959.

The District is a political subdivision of Texas with the rights, powers, privileges, and authority established by the general laws of the State of Texas, including particularly Chapters 49 and 51 of the Texas Water Code.

The District is subject to the continuing supervision of the TCEQ.

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 issues bonds and other forms of indebtedness to purchase or construct such facilities.

The TCEQ exercises continuing supervisory jurisdiction over the District. Construction and operation of the District's water, wastewater and storm drainage system is subject to the regulatory jurisdiction of federal and state governmental agencies.

DESCRIPTION . . . At creation, the District encompassed approximately 4,500 acres of land. Subsequent annexations have increased the size of the District to approximately 15,000 acres. The District is located west of the City of Austin in Travis County, Texas. Ranch Road 620 bisects the District. The District lies wholly within the extraterritorial jurisdiction of the Cities of Austin, Lakeway and Bee Cave and portions of the District lie within the limited purpose jurisdiction of the City of Austin and the corporate limits of the City of Lakeway. Some portions of the District are within Leander Independent School District and the remainder is within Lake Travis Independent School District.

DEVELOPMENT WITHIN THE DISTRICT . . . The District has been developed primarily as single-family residential subdivisions with some commercial establishments. At present, the District is approximately 80 percent developed according to the District's engineer.

MANAGEMENT OF THE DISTRICT . . . The District is governed by the Board of Directors, consisting of five Directors, who have control over management and supervision of all affairs of the District. All of the directors reside within the District. The directors serve four-year staggered terms. Elections are held in May.

GENERAL MANAGER AND STAFF . . . Jason F. Homan has managed the District since 2017. District Field Manager, Henry Marley, District Operations Manager, Joe Kunz, and Administration and Finance Manager Bart Sanchez assist Mr. Homan. There are currently 62 field staff and 17 office staff members.

The District offers a 401(a) Retirement Plan to all non-temporary employees. The investment plan is administered by an outside financial agency. The District also contributes to federal social security.

The 401(a) Retirement Plan is a defined contribution plan where all employer allocations are invested. The amount invested is 5% of pay (calculated on gross wages up to 40 hours/week) over and above regular pay which the employee may invest in a variety of investments offered. The 5% amount increases by ½ percent on each anniversary of employment. The maximum amount the District will contribute for each employee is 10%.

ANNEXATION . . . The District lies within the extraterritorial jurisdiction of the City of Austin, the City of Lakeway and the City of Bee Cave with portions of the District lying within the limited purpose jurisdiction of the City of Austin and the corporate limits of the City of Lakeway. Under Texas law, when a utility district lies within the extraterritorial jurisdiction of two or more cities, any of such cities may annex that portion of the utility district lying within its extraterritorial jurisdiction without dissolving the utility district. At such time as each of the cities has annexed that portion of the utility district within its extraterritorial jurisdiction, the cities may, but are not required to, dissolve the utility district and distribute among them the assets and liabilities of the utility district. Such distribution must be done pro rata, based on the ratio that the value of property and other assets distributed bears to the total value of all the property and other assets of the utility district.

Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without consent of the district or its residents in accordance with the provisions of Chapter 43 of the Local Government Code, as amended ("Chapter 43"). Under Chapter 43, a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. A municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of June 1, 2021, the District had a population higher than the voter approval and/or landowner consent requirements discussed above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

Annexation of land by a city is a policy-making matter within the discretion of the Mayor and City Council and therefore the District makes no representation that either the Cities of Austin, Lakeway, or Bee Cave will ever annex any part of the District or whether such cities will ever assume its debt. Moreover, no representation is made concerning the ability of the City of Austin, the City of Lakeway or the City of Bee Cave to make debt service payments should annexation and dissolution of the District occur.

CONSOLIDATION . . . A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and wastewater systems of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

ALTERATION OF BOUNDARIES . . . In certain circumstances, under Texas law the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities, or, upon petition by a landowner filed prior to August 31, 2007, for property within the District greater than 28 years. No representation is made concerning the likelihood that the District would effect any change in its boundaries.

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THE SYSTEM

THE SYSTEM . . . The District provides water, wastewater and drainage service to residents of the District and certain out of District customers. The District in 2020 provided water service to 12,404 accounts (over 18,000 living unit equivalents (“LUEs”)) and wastewater to approximately 7,378 connections.

The District’s water production and distribution system, sanitary sewer collection and treatment and storm water systems have been designed in accordance with the criteria of various regulatory agencies including Travis County, the City of Austin and the TCEQ. The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity.

The District obtains water from Lake Travis pursuant to a contract with the Lower Colorado River Authority which has been renewed for 50 years to 2051. The contract authorizes withdrawal of up to 8,800 acre-feet per year, or an average of 7.85 million gallons per day. The raw water contract is sufficient to serve 19,640 LUEs.

The District’s existing water treatment facilities are sufficient to serve over 20,370 LUEs (i.e. treat approximately 22.0 MGD of water).

Wastewater treatment for customers in the District is provided by 4 wastewater treatment plants (WWTP), with a total treatment capacity of 2.63 MGD. The southern portion of the District is served by the South District Wastewater System, which includes a 1.0 MGD WWTP and 0.5 MGD of effluent storage and effluent disposal. According to the Engineer, the District’s wastewater treatment/disposal capacity is sufficient to serve approximately 8,772 LUEs as compared with 8,572 LUEs currently being served. Proceeds of the Bonds will be used to expand the effluent storage and disposal capacity of the South District Wastewater System to provide storage capacity for 1.0 MGD and disposal capacity for 0.65 MGD.

TABLE 1 – HISTORICAL WATER CONSUMPTION (GALLONS)

Fiscal Year End	Gallons Pumped
2015	2,391,156,000
2016	2,268,872,000
2017	2,474,759,000
2018	2,554,825,000
2019	2,231,870,000
2020	2,516,296,000

TABLE 2 – TOP WATER CUSTOMERS (BASED ON GALLONS CONSUMED FOR FISCAL YEAR ENDED 9/30/20)

Name of Customer	Gallons	% of Total ^(a)
SRMA	95,456,270	3.79%
BREIT Steiner Ranch Apartments LLC	34,649,230	1.38%
Lake Travis ISD	24,005,890	0.95%
CRSA-Longhorn Village	21,800,000	0.87%
Bell Steiner Ranch, LLC	19,089,820	0.76%
Baylor Scott & White	14,470,040	0.58%
Vistas Lakeway	13,532,330	0.54%
SRROA	9,728,300	0.39%
Madrone Acquisition LP	8,451,300	0.34%
Travis at the Lake	8,044,900	0.32%
	249,228,080	9.90%

(a) Calculation based upon calendar usage total of 2,516,296,000 gallons.

TABLE 3 – MONTHLY WATER AND SEWER RATES AND CAPITAL RECOVERY FEES

Water Rates for 5/8" Meter				
Minimum Charge	Minimum Usage	Rate per 1,000 Gallons over Minimum		Usage Levels
\$ 17.00	-	\$ 2.10		1,000-10,000
38.00	10,000	3.16		10,001-15,000
53.80	15,000	4.73		15,001-30,000
124.75	30,000	7.10		30,001-50,000
266.75	50,000	10.65		50,001-100,000
799.25	100,000	15.98		Over 100,000

Sewer charges - Monthly rates and volume fees are calculated by the wastewater treatment plant that serves each respective property. Current rates for each waste water treatment plant are listed below.

Steiner Wastewater Treatment Plant Customers Only:

Residential		Commercial	
Size	Charge	Size	Charge
5/8", 3/4" or 1"	\$28.00	5/8" or 3/4"	\$30.00
1½"	\$30.50	1" – 1½"	\$40.00
2" – 6"	\$42.50	2" – 6"	\$45.00

Plus Volume Rate:

Residential - \$4.04/1,000 gallons per Winter Average (Dec. Jan. & Feb.)

Commercial - \$4.04/1,000 gallons per actual monthly water usage

Flintrock Wastewater Treatment Plant Customers Only:

Residential		Commercial	
Size	Charge	Size	Charge
5/8", 3/4" or 1"	\$28.00	5/8" or 3/4"	\$30.00
1½"	\$30.50	1" – 1½"	\$40.00
2" – 6"	\$42.50	2" – 6"	\$45.00

Plus Volume Rate:

Residential - \$5.67/1,000 gallons per Winter Average (Dec. Jan. & Feb.)

Commercial - \$5.67/1,000 gallons per actual monthly water usage

Comanche Wastewater Systems Only:

	Residential Charge	Commercial Charge
5/8" or 3/4"	\$38.00	\$41.00
1" or 1½"	\$39.00	\$51.00
2" – 6"	\$51.00	\$51.00
8"	\$71.00	\$71.00

Plus Volume Rate:

Residential - \$6.07/1,000 gallons per Winter Average (Dec. Jan. & Feb.)

Commercial - \$6.07/1,000 gallons per monthly water usage

Commander's Point Wastewater Systems Only:

	Residential Charge	Commercial Charge
5/8" or 3/4"	\$38.00	\$41.00
1" or 1½"	\$39.00	\$51.00
2" – 6"	\$51.00	\$51.00
8"	\$71.00	\$71.00

Plus Volume Rate:
Residential - \$4.50/1,000 gallons per Winter Average (Dec. Jan. & Feb.)
Commercial - \$4.50/1,000 gallons per monthly water usage

The District charges a water capital recovery fee of \$8,470 per new connection. The sewer capital recovery fees per new connection range from \$4,100 to \$19,943, depending upon which area of the District the development occurs. Fiscal year 2020 collections for water capital recovery fees and for sewer capital recovery fees totaled \$975,305.

INVESTMENT CONSIDERATIONS

GENERAL . . . The Bonds are special limited obligations solely of the District and are not obligations of the Cities of Austin, Lakeway and Bee Cave, Travis 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 amounts sufficient to pay all expenses of operation and maintenance of the System, and to provide Net Revenues, which will be adequate to pay promptly all of the principal of and interest on the Outstanding Bonds, the Bonds and any Additional Bonds, and to make all deposits required to be made into the Reserve Fund and any other funds established by the Bond Resolution or any other resolution authorizing the issuance of Additional Bonds (see “SECURITY FOR THE BONDS”). **The District has not covenanted or obligated itself to pay the Bonds from monies raised or to be raised from taxation.** The capital recovery fees pledged to the Bonds are only assessed in connection with new development within the District and are subject to volatility depending upon growth within the District.

REGISTERED OWNERS’ REMEDIES . . . In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to charge and collect rates for the System sufficient to make such payments. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no right to the acceleration of the maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See “SECURITY FOR THE BONDS – Bondholders’ Remedies.”

BANKRUPTCY LIMITATION TO REGISTERED OWNERS’ RIGHTS . . . The enforceability of the rights and remedies of Bondholders may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Bondholders’ remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic bondholders’ stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, entered an order granting relief from the stay or otherwise allowed creditors to proceed against the petitioning political subdivision. A political subdivision such as the District may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is specifically authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, a water control and improvement district such as the District must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity, and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be appealable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners’ claims.

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.

INFECTIOUS DISEASE OUTBREAK (COVID-19) . . . In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas (the “State”) because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to

help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment except in counties with an “area with high hospitalizations” where a county judge may impose COVID-19 related mitigation strategies. Travis County is not currently an “area with high hospitalizations.” The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

With the decrease in the number of active COVID-19 cases and the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that such increased economic activity will continue or continue at the same rate, especially if there are future outbreaks of COVID-19. The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions. See “FINANCIAL STATEMENT – Table 3 – Taxable Assessed Valuation” for the District’s current fund balances.

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

STATE LEGISLATIVE ISSUES . . . The State Legislature, operating under the biennial system, convenes its regular session at noon on the second Tuesday in January of odd-numbered years. The maximum duration of a regular session is 140 days. The 87th regular legislative session convened on January 12, 2021 and concluded on May 31, 2021. Under the Texas Constitution, the Governor has the authority to call additional special sessions of the State Legislature at any time, each for a duration of no more than thirty days, to address only those subjects designated by the Governor. While in session, the State Legislature may consider bills which could have a direct impact on the District. The District makes no representations or predictions with respect to whether the Governor will exercise his authority under the Texas Constitution to call additional special sessions of the State Legislature or concerning the substance or effect of any legislation that may be proposed and ultimately passed while the State Legislature is in session.

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

FUTURE DEBT . . . In the Bond Resolution, the District retains the right to issue Additional Bonds, subject to certain requirements. See “SECURITY FOR THE BONDS – Issuance of Additional Bonds.”

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.

DROUGHT CONDITIONS . . . The District, like other areas of the State, experiences drought conditions from time to time. The LCRA provides water to the District residents in amounts sufficient to service the residents of the District, however, as drought conditions occur, water usage could be restricted, adversely affecting revenues.

DEBT INFORMATION

TABLE 4 – REVENUE DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Bonds ^(a)			The Bonds ^(b)			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2022	\$ 1,310,000	\$ 930,954	\$ 2,240,954	\$ -	\$ 179,478	\$ 179,478	\$ 2,420,432
2023	1,365,000	877,130	2,242,130	365,000	257,938	622,938	2,865,068
2024	1,415,000	821,062	2,236,062	375,000	250,538	625,538	2,861,600
2025	1,475,000	762,697	2,237,697	390,000	242,888	632,888	2,870,584
2026	1,535,000	701,803	2,236,803	400,000	234,988	634,988	2,871,791
2027	1,605,000	638,132	2,243,132	415,000	226,838	641,838	2,884,970
2028	1,665,000	571,717	2,236,717	425,000	218,438	643,438	2,880,155
2029	1,740,000	502,474	2,242,474	440,000	211,988	651,988	2,894,461
2030	1,805,000	430,321	2,235,321	450,000	207,538	657,538	2,892,858
2031	1,365,000	365,553	1,730,553	465,000	202,381	667,381	2,397,934
2032	1,420,000	308,366	1,728,366	480,000	194,675	674,675	2,403,041
2033	1,485,000	248,621	1,733,621	495,000	184,925	679,925	2,413,546
2034	1,285,000	192,350	1,477,350	510,000	174,875	684,875	2,162,225
2035	1,325,000	146,775	1,471,775	525,000	164,525	689,525	2,161,300
2036	1,370,000	106,350	1,476,350	540,000	153,875	693,875	2,170,225
2037	1,410,000	64,650	1,474,650	555,000	142,925	697,925	2,172,575
2038	1,450,000	21,750	1,471,750	575,000	131,625	706,625	2,178,375
2039	-	-	-	590,000	119,975	709,975	709,975
2040	-	-	-	610,000	107,975	717,975	717,975
2041	-	-	-	630,000	95,575	725,575	725,575
2042	-	-	-	645,000	82,825	727,825	727,825
2043	-	-	-	665,000	69,725	734,725	734,725
2044	-	-	-	690,000	56,175	746,175	746,175
2045	-	-	-	710,000	41,288	751,288	751,288
2046	-	-	-	730,000	25,088	755,088	755,088
2047	-	-	-	750,000	8,438	758,438	758,438
	<u>\$ 25,025,000</u>	<u>\$ 7,690,704</u>	<u>\$ 32,715,704</u>	<u>\$ 13,425,000</u>	<u>\$ 3,987,497</u>	<u>\$ 17,412,497</u>	<u>\$ 50,128,200</u>

(a) The outstanding debt for the 2021 fiscal year has already been paid.

(b) Interest on the Bonds has been calculated at the rates shown on the inside cover page hereof.

ANTICIPATED ISSUANCE OF ADDITIONAL BONDS . . . The District does not anticipate the issuance of Additional Bonds within the next 12 months.

FINANCIAL INFORMATION

TABLE 5 – CONDENSED STATEMENT OF OPERATIONS

	Fiscal Year Ended September 30,				
	2020	2019	2018	2017	2016
<u>Operating Revenues:</u> ⁽¹⁾					
Water and Sewer Revenues	\$ 16,408,876	\$ 14,874,794	\$ 15,861,274	\$ 14,614,267	\$ 13,722,221
Interest Income	469,594	730,085	399,334	158,820	309,211
Other Revenue and Fees	2,723,094	2,400,541	2,446,363	2,312,383	2,419,304
Total	<u>\$ 19,601,564</u>	<u>\$ 18,005,420</u>	<u>\$ 18,706,971</u>	<u>\$ 17,085,470</u>	<u>\$ 16,450,736</u>
<u>Operating Expenses:</u> ⁽²⁾					
Operating and Maintenance Expenses	\$ 10,562,468	\$ 11,112,988	\$ 10,584,884	\$ 11,243,816	\$ 10,016,308
Total	<u>\$ 10,562,468</u>	<u>\$ 11,112,988</u>	<u>\$ 10,584,884</u>	<u>\$ 11,243,816</u>	<u>\$ 10,016,308</u>
Net Revenues of the System	\$ 9,039,096	\$ 6,892,432	\$ 8,122,087	\$ 5,841,654	\$ 6,434,428
Number of Water Connections Served	12,383	12,326	12,019	11,828	11,602

(1) Excludes ad valorem property tax revenues and trash & recycling service revenues.

(2) Excludes depreciation, trash & composting expenses, capital outlays and ad valorem property tax revenues.

TABLE 6 – COVERAGE AND FUND BALANCES

Average Annual Principal and Interest Requirements, 2022 - 2047 ⁽¹⁾	\$ 1,928,008
Coverage of Average Requirements by 9-30-2020 Net System Revenues	4.69x
Maximum Principal and Interest Requirements 2029	\$ 2,894,461
Coverage of Maximum Requirements by 9-30-2020 Net System Revenues	3.12x
Outstanding Bonds ⁽¹⁾	\$ 38,450,000
Reserve Fund, as of 5-31-21 ⁽²⁾	\$ 1,957,255

(1) Includes the Bonds.

(2) Excludes \$45,588 expected to be funded from proceeds of the Bonds.

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INVESTMENT AUTHORITY AND PRACTICES OF THE DISTRICT

Available District funds are invested as authorized by Texas law, particularly the Public Funds Investment Act, Texas Government Code Chapter 2256 (the PFIA), and in accordance with investment policies approved by the Board of Directors of the District. Both Texas law and the District's investment policies are subject to change.

AUTHORIZED INVESTMENTS . . . The District is authorized to invest in the following types of obligations, with certain restrictions (each an "Authorized Investment"): (1) obligations of the United States or its agencies and instrumentalities, certain U.S. Agencies, the State of Texas, and obligations insured by the Federal Deposit Insurance Corporation; (2) certain municipal securities; (3) certificates of deposit; (4) repurchase agreements; (5) securities lending programs; (6) bankers' acceptances; (7) commercial paper; (8) money market savings accounts; (9) mutual funds; (10) guaranteed investment contracts; (11) government investment pools; and (12) common trust funds. The District may also contract with an investment management firm registered under the Investment Advisors Act of 1940 (15 U.S.C. § 80b-1 et seq.) or with the Texas State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term of up to two years, but the District retains ultimate responsibility as fiduciary of its assets.

GOVERNMENT INVESTMENT POOLS . . . Government investment pools ("Pools") in Texas are established under the authority of the Interlocal Cooperation Act, Texas Government Code Chapter 791, and their membership is limited to governmental entities, such as the District. A Pool may only invest its funds in accordance with, and in investments authorized by, the PFIA. Typically, a Pool operates like a money market mutual fund and is required to make its portfolio to market daily, and, to the extent reasonably possible, stabilize at a \$1 net asset value. In addition to other provisions of the PFIA, the PFIA requires each Pool to: (1) have an advisory board composed of participants in the Pool and other persons who do not have a business partnership with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than "AAA" or "AAA-m" or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

INVESTMENT PRACTICES . . . The PFIA contains many specific provisions in the areas of investment practices, management reports and establishment of appropriate policies, some of which are summarized herein. The District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include (A) a list of authorized investments for District funds, (B) the maximum allowable stated maturity of any individual investment, (C) the maximum dollar-weighted average maturity allowed for pooled fund groups, (D) methods to monitor the market price of investments acquired with public funds, (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and (F) procedures to monitor rating changes in investments acquired with public funds. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment.

At least quarterly the District's investment officers must submit an investment report to the Board of Directors of the District detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the District's Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (4) require the qualified representative of firms offering to engage in an investment transaction with the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the District and the business organization that are not authorized by the District's investment policy, and (c) deliver a written statement in a form acceptable to the District and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the District's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the District.

CURRENT INVESTMENTS . . . The District's investment goal is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Funds of the District are invested either in short term U.S. Treasuries or certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a

third party bank. The District does not currently own, nor does it anticipate the inclusion of, long term securities or derivative products in the District portfolio. As of February 28, 2021 the District’s funds were invested in the following:

Account	Amount	Percent
Compass Bank	\$ 3,839,132	7.33%
TexSTAR	38,394,679	73.29%
NexBank	10,154,091	19.38%
	\$ 52,387,902	100.00%

SELECTED PROVISIONS OF THE BOND RESOLUTION

The following are excerpts of certain definitions and provisions of the Bond Resolution Authorizing the Issuance of Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Bonds, Series 2021. Such excerpts do not purport to be complete and reference should be made to the Bond Resolution for the entirety thereof. Copies of the Bond Resolution are available upon request to the District.

Section 2. DEFINITIONS. In addition to other capitalized words and terms defined in this Resolution (except those defined and used in the FORM OF BOND in Section 6), and unless a different meaning or intent clearly appears in the context, the following words and terms shall have the following meanings, respectively:

“Additional Bonds” means those obligations the District reserves the right to issue pursuant to Section 16 of this Resolution.

“Authorized Denominations” means with respect to the Bonds, \$5,000 or any integral multiple thereof.

“Board” means the Board of Directors of the District.

“Bond Insurer” means the insurer, if any, of any series of the Bonds.

“Bonds” means and include collectively the Bonds initially issued and delivered pursuant to this Resolution and all substitute Bonds therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term “Bond” shall mean any of the Bonds.

“Bond Counsel” means a firm of attorneys of nationally recognized standing in the field of law relating to municipal bond law and the exemption from federal income taxation of interest on state or local bonds, selected by the District.

“Bond Resolution” or “Resolution” means this Resolution of the Board authorizing the issuance of the Bonds.

“Defeasance Securities” means (i) Federal Securities, (ii) noncallable 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 adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (iii) noncallable 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 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 no less than “AAA” or its equivalent and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds.

“DTC” means The Depository Trust Company, New York, New York and its successors and assigns.

“DTC Participant” means securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations on whose behalf DTC was created to hold securities to facilitate the clearance and settlement of securities transactions among DTC Participants.

“Federal Securities” means direct, noncallable 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 Corporation).

“Interest Payment Date” means a date on which interest on the Current Interest Bonds is due and payable as set forth in the Pricing Certificate.

“Issuance Date” means such other date of delivery of the Bonds to the initial purchaser or purchasers thereof against payment therefor as determined by the Pricing Officer in the Pricing Certificate.

“Net Revenues” means all gross revenues of the System after deducting the expenses of maintenance and operation thereof. Depreciation and payments into and out of the funds for the Outstanding Obligations, the Bonds and any Additional Bonds shall never be considered expenses of operation and maintenance. In connection with the Bonds, Net Revenues including the water wastewater capacity recovery fees levied by the District for the Flintrock Wastewater Treatment Plant Project.

“Outstanding” means when used with respect to Bonds, as of the date of determination, all Bonds theretofore delivered under this Resolution, except:

- (1) Bonds theretofore cancelled and delivered to the District or delivered to the Paying Agent/Registrar for cancellation;
- (2) Bonds deemed to be Defeased Bonds;
- (3) Bonds upon transfer of or in exchange for and in lieu of which other Bonds have been authenticated and delivered pursuant to this Resolution; and
- (4) Bonds under which the obligations of this District have been released, discharged, or extinguished in accordance with the terms thereof.

“Outstanding Bonds” means the Series 2010 Bonds, the Series 2012 Bonds and the Series 2016 Bonds as defined in the recitals to this Resolution.

“Registrar” or “Paying Agent/Registrar” means the paying agent/registrar designated by the Pricing Officer in the Pricing Certificate, or such other bank, trust company, financial institution, or other entity as may hereafter be designated by the District to act as paying agent and registrar for the Bonds in accordance with the terms of this Resolution.

“Registered Owner” or “Owner” has the meaning given in Section 3(a) of this Resolution.

“Registration Book” means the books and records kept and maintained by the Paying Agent/Registrar relating to the registration, transfer, exchange and payment of the Bonds and the interest thereon.

“Required Reserve Amount” means the amount equal to average annual debt service requirements on the Bonds, the Outstanding Bonds and any Additional Bonds.

“Series” means a separate series of Bonds as specified by or pursuant to the terms of this Resolution.

“Series 2010 Resolution” means the resolution authorizing the Series 2010 Bonds.

“Series 2012 Resolution” means the resolution authorizing the Series 2012 Bonds.

“Series 2016 Resolution” means the resolution authorizing the Series 2016 Bonds.

“System” means the water system, sanitary sewer system and drainage and storm sewer system providing services to land within the District including, but not limited to, all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor, now owned or to be hereafter purchased, constructed or otherwise acquired by deed, contracts, or otherwise, and administrative facilities needed in connection therewith, together with any additional or extensions thereto or improvements and replacements thereof; provided that the System shall not include facilities acquired or constructed to perform contracts between the District and other persons, including private corporations, municipalities and political subdivisions which are financed by proceeds of the District’s revenue bonds issued particularly to finance facilities needed to perform such contracts.

“TCEQ” means the Texas Commission on Environmental Quality and its successor and assigns.

Section 7. PLEDGE AND CONSOLIDATION OR DISSOLUTION OF DISTRICT. The Bonds, the Outstanding Bonds and any Additional Bonds, and all interest thereon, are and shall be payable from and secured by an irrevocable first lien on and pledge of the Net Revenues of the System, which lien and pledge is on a parity to that of the Outstanding Bonds. The Net Revenues are further pledged irrevocably to the establishment and maintenance of the funds as hereinafter provided.

Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Net Revenues granted by the District under this Section, and is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Net Revenues granted by the District under this Section is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

To the extent provided by law, the pledge of Net Revenues set forth in this Section 7 will terminate if a city takes over all properties and assets, assumes all debts, liabilities, and obligations, and performs all functions and services of the District, and the District is abolished pursuant to law.

The laws of the State of Texas permit the District to be consolidated with one or more conservation and reclamation districts. In the event the District is consolidated with another district or districts, the District reserves the right to:

(i) Consolidate the System with a similar system of one or more districts with which the District is consolidating and operate and maintain the systems as one consolidated system (herein for purposes of this section the "Consolidated System").

(ii) Apply the net revenues from the operation of the Consolidated System to the payment of principal, interest, redemption price and bank charges on the revenue bonds or the combination tax and revenue bonds (herein for purposes of this section the "Revenue Bonds") of the District and of the district or districts with which the District is consolidating (herein collectively the "Consolidating Districts") without preference to any series of bonds (except subordinate lien revenue bonds which shall continue to be subordinate to the first lien Revenue Bonds of the Consolidating Districts).

(iii) Pledge the net revenues of the Consolidated System to the payment of principal, interest, redemption price and bank charges on Revenue Bonds which may be issued by the Consolidating Districts on parity with the outstanding first lien Revenue Bonds of the Consolidating Districts.

Section 8. RATES. The District has covenanted and agreed with the Registered Owners of the Outstanding Bonds and hereby covenants and agrees with the Registered Owners of the Bonds and any Additional Bonds, as follows:

(a) That it will at all times collect for services rendered by the System such amounts as will be at least sufficient to pay all expenses of operation and maintenance, and to provide Net Revenues which will be adequate to pay promptly all of the principal of and interest on the Outstanding Bonds, the Bonds and any Additional Bonds, and to make all deposits now or hereafter required to be made into the funds created and established by the Outstanding Bonds, this Resolution or any other/resolution authorizing Additional Bonds.

(b) If the System should become legally liable for any other indebtedness, the District shall fix, maintain, charge and collect additional rates and services rendered by the System, sufficient to establish and maintain funds for the payment thereof.

Section 9. REVENUE FUND. There is hereby established or confirmed on the books of the District a Revenue Fund. All gross revenues of every nature received from the operation and ownership of the System shall be deposited from day to day as collected into the Revenue Fund, and the reasonable, necessary, and proper expenses of operation and maintenance of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay the expenses shall be deposited from the Revenue Fund into the funds to the extent provided hereunder. However, until the Bonds, the Outstanding Bonds and any Additional Bonds are retired, any surplus Net Revenues of the System not required to be deposited in the funds and accounts established by this Resolution or the resolutions authorizing the Outstanding Bonds and any Additional Bonds shall be deposited in the Revenue Fund established herein and used as provided in Section 14 of this Resolution.

Section 10. INTEREST AND SINKING FUND. There is hereby established or confirmed on the books of the District an Interest and Sinking Fund ("Interest and Sinking Fund") and there shall be deposited into the Interest and Sinking Fund the following:

(a) such amounts of the Net Revenues, beginning on the 20th day of each month (commencing on such date as set forth in each Pricing Certificate), in equal monthly installments, which, together with other monies on deposit therein, as will be sufficient to pay the interest scheduled to come due on the Bonds, the Outstanding Bonds and any Additional Bonds on the next interest payment date; and

(b) such amounts of Net Revenues, in equal monthly installments, which, together with other monies on deposit therein, made on the 20th day of each month (commencing on such date as set forth in each Pricing Certificate), as will be sufficient to pay the next maturing principal of the Bonds, the Outstanding Bonds and any Additional Bonds.

The Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds and all Additional Bonds, as such principal matures and such interest comes due.

Section 11. INTEREST EARNINGS ON BOND PROCEEDS. Interest earnings derived from the investment of proceeds from the sale of the Bonds shall be used along with other Bond proceeds for the purpose for which the Bonds are issued as set forth in Section 1 hereof. It is further provided, however, that any interest earnings on Bond proceeds which are required to be rebated to the United States of America pursuant to Section 22 hereof in order to prevent the Bonds from being arbitrage bonds shall be so rebated and not considered as interest earnings for the purposes of this Section.

Section 12. RESERVE FUND AND ADDITIONAL SECURITY. (a) Reserve Fund. There is hereby established or confirmed on the books of the District a Reserve Fund (the "Reserve Fund"). The District covenants to maintain the Required Reserve Amount in the Reserve Fund. The Required Reserve Amount shall be accumulated within sixty months following the Issuance Date by deposits in approximately equal monthly installments on or before the 20th day of such month. The District covenants and agrees that in the event Additional Bonds are issued as hereinafter provided, the resolution authorizing such Additional Bonds shall provide for the payment into the Reserve Fund of such additional sums as shall be necessary to permit an accumulation in the Reserve Fund, within sixty months from the date of the Additional Bonds, as an additional reserve, of an amount of money at least equal to Required Reserve Amount as a result of the issuance of such Additional Bonds then outstanding. The Reserve Fund shall be used to pay principal of or interest on the Bonds, Outstanding Bonds and such Additional Bonds falling due at any time for the payment of which there is not money available in the Interest and Sinking Fund. No payments need be made into the Reserve Fund after there shall have been accumulated and shall exist in such fund the amount of money herein stipulated; but, if at any time it becomes necessary to use temporarily any part of such Reserve Fund for the payment of principal or interest of the Bonds, Outstanding Bonds or any Additional Bonds, or it is otherwise depleted, monthly payments into the Reserve Fund in the amount of 1/60th of the deficiency shall be implemented and continued until such time as such fund contains the amount of money then required to be on deposit therein. So long as the Reserve Fund contains the Required Reserve Amount any investment earnings shall be transferred to the Interest and Sinking Fund.

(b) Additional Security. The capital recovery fees levied by the District for the Flintrock Wastewater Treatment Plant Project pursuant to the Wastewater Capital Recovery Fee Study and Section 49.212 Texas Water Code, are hereby pledged as additional security for the Bonds.

Section 13. DEFICIENCIES IN FUNDS. If in any month the District shall fail to deposit into any fund created by this Resolution the full amounts required, amounts equivalent to such deficiencies shall be set apart and paid into said funds from the first available and unallocated Net Revenues of the System for the following month or months and such payments shall be in addition to the amounts otherwise required to be paid into said funds during such month or months. To the extent necessary, the District shall increase the rates and charges for services of the System to make up for any such deficiencies.

Section 14. EXCESS REVENUES. Any Net Revenues in excess of those necessary to establish and maintain the funds as required in this Resolution, or as hereafter may be required in connection with the issuance of Additional Bonds, may be used for any lawful purpose.

Section 15. INVESTMENT AND SECURITY FOR FUNDS. All funds created by this Resolution shall be invested as authorized by law including the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. In addition, all funds created by this Resolution shall be secured in the manner and to the fullest extent permitted or required by law for the security of public funds including the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, and such funds shall be used only for the purposes and in the manner permitted or required by this Resolution.

Section 16. ADDITIONAL BONDS. The District expressly reserves and shall hereafter have the right to issue in one or more installments such other bonds as provided below. Such Bonds may be payable from and equally secured by a pledge of and lien on the Net Revenues, to the same extent as pledged and in all things on parity with the lien of these Bonds.

The District expressly reserves and shall hereafter have the right to issue in one or more installments the following:

(1) Additional Bonds. The District expressly reserves the right to issue Additional Bonds payable solely from the Net Revenues of the System, for the purpose of completing, repairing, improving, extending, enlarging, or replacing the System, or refunding bonds or other obligations issued in connection with the System, and such bonds may be payable from and equally secured by a lien on and pledge of said Net Revenues on a parity with the pledge thereof for these Bonds. Provided, however, that before the District can issue Additional Bonds payable solely from the Net Revenues of the System, an independent certified public accountant shall certify that the Net Revenues of the System for the last completed fiscal year or a 12 consecutive calendar month period ending no more than 90 days preceding the adoption of the resolution authorizing the Additional Bonds shall have been not less than 1.25 times the average annual debt service requirements of the Outstanding Bonds, the Bonds and any outstanding Additional Bonds. Additionally, in connection with the issuance of Additional Bonds, the President of the Board and the District General Manager shall sign a written certificate to the effect that the District is not in default as to any covenant, condition or obligation in connection with the Outstanding Bonds, the Bonds and Additional Bonds and the Bond Resolutions authorizing the same and the Interest and Sinking Fund and the Reserve Fund each contain the amount then required to be therein.

(2) Inferior Lien Bonds. The District also reserves the right to issue inferior lien bonds and to pledge the Net Revenues of the System, to the payment thereof, such pledge to be subordinate in all respects to the lien of these Bonds and any previously issued combination unlimited tax and revenue or revenue bonds on a parity with the Bonds.

(3) Special Project Bonds. The District further reserves the right to issue special project bonds or notes for the purchase, construction, improvement, extension, replacement, enlargement, or repair of water, sewer, and/or drainage facilities necessary under a contract or contracts with persons, corporations, municipal corporations, political subdivisions, or other entities, such special project Bonds to be payable from and secured by the proceeds of such contract or contracts. The District further reserves the right to refund such bonds or notes.

(4) Refunding Bonds. The District further reserves the right to refund any bonds authorized by this Section 16 and the refunding bonds so issued shall enjoy complete equality of lien with the remaining bonds not refunded, if any such bonds remain, and the refunding bonds so issued shall enjoy the priority of lien enjoyed by the bonds being refunded.

(5) Defined Area Bonds. The District further reserves the right to issue bonds or other obligations to provide benefits to a defined area of the District, such Bonds to be paid from taxes imposed only on the defined area, as authorized by Chapter 51 of the Texas Water Code, including, but not limited to, Sections 51.512(b)(4) through 51.530 of the Water Code.

(6) District Obligations. The District further reserves the right to issue bonds, notes or other obligations payable from ad valorem taxes within the District to complete, repair, improve, extend, enlarge or replace the System and to further issue bonds, notes or other obligations for the benefit of any other systems owned by the District which bonds, notes or other obligations may be payable from taxes, revenues of such system or a combination of taxes and revenues.

Section 17. MAINTENANCE AND OPERATION; INSURANCE. While any of the Bonds, the Outstanding Bonds or Additional Bonds are outstanding, the District covenants and agrees to maintain the System in good reasonable condition, and to maintain insurance on the System, for the benefit of the holder or holders of the Bonds, the Outstanding Bonds and any Additional Bonds of a kind and in an amount which usually would be carried by private companies engaged in a similar type of business and which will insure the District against claims for which it can be liable under the Texas Tort Claims Act, or any amendment thereof, or any similar law.

Section 18. ACCOUNTS AND FISCAL YEAR. The District shall keep proper books of records and accounts, separate and apart from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the System, and shall have said books audited once each fiscal year by a certified public accountant. The District agrees to operate the System and keep its books of records and accounts pertaining thereto on the basis of its current fiscal accounts pertaining thereto on the basis of its current fiscal year; provided, however, that the Board may change such fiscal year if such change is deemed necessary by the Board.

Section 19. AUDIT. Within ninety days after the close of each fiscal year hereafter, the District will cause to be prepared by a certified public accountant, a report covering the next preceding fiscal year, showing the following information:

(a) A detailed statement of all gross revenues of the System and all expenses of operation and maintenance thereof for each fiscal year.

(b) Balance sheet as of the end of each fiscal year.

(c) Accountant's comment regarding the manner in which the District has complied with the requirements of this Resolution and recommendations, if any, for the changes or improvements in the operation and maintenance of the System.

(d) List of insurance policies in force at the end of said fiscal year, showing as to each policy, the risk covered, the amount of the policy, the name of the insurer, and the expiration date.

(e) The number of properties served by the System, if any, and the gross revenues from the System for said fiscal year.

(f) The number of unmetered customers of the System at the end of each fiscal year.

(g) The approximate number of gallons of water registered through the District's meters and the number of gallons sold during each fiscal year.

Section 20. DEFEASANCE OF BONDS. (a) Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of this Resolution, except to the extent provided in subsections (c) and (e) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date or dates (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/Registrar 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, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or a commercial bank or trust company for the payment of its services until all Defeased Bonds shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the revenues herein pledged as provided in this Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) The deposit under clause (ii) of subsection (a) shall be deemed a payment of a Bond as aforesaid when proper notice of redemption of such Bonds shall have been given, in accordance with this Resolution. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company as provided in this Section may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as hereinbefore set forth, and all income from all Defeasance Securities in possession of the Paying Agent/Registrar or a commercial bank or trust company pursuant to this Section which is not required for the payment of such Bond and premium, if any, and interest thereon with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

(c) Notwithstanding any provision of any other Section of this Resolution which may be contrary to the provisions of this Section, all money or Defeasance Securities set aside and held in trust pursuant to the provisions of this Section for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar 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 this Resolution.

(d) Notwithstanding anything elsewhere in this Resolution, if money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company pursuant to this Section for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the provisions of this Section shall be made without the consent of the registered owner of each Bond affected thereby.

(e) Notwithstanding the provisions of subsection (a) immediately above, 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 that Defeased Bond for redemption in accordance with the provisions of the Resolution authorizing its issuance, the District may call such Defeased Bond for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions of subsection (a) immediately above with respect to 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.

Section 24. DEFAULT AND REMEDIES. (a) Events of Default. Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default:

(1) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or

(2) default in the performance or observance of any other covenant, agreement or obligation of the District, the failure to perform which materially, adversely affects the rights of the Registered Owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with this Resolution, and the continuation thereof for a period of 60 days after notice of such default is given by any Registered Owner to the District.

(b) Remedies for Default.

(1) Upon the happening of any Event of Default, then and in every case, any Registered Owner or an authorized representative thereof, including, but not limited to, a trustee or trustees therefor, may proceed against the District, or any official, officer or employee of the District in their official capacity, for the purpose of protecting and enforcing the rights of the Registered Owners under this Resolution, by mandamus or other suit, action or special proceeding in equity or at law, in any court of competent jurisdiction, for any relief permitted by law, including the specific performance of any covenant or agreement contained herein, or thereby to enjoin any act or thing that may be unlawful or in violation of any right of the Registered Owners hereunder or any combination of such remedies.

(2) It is provided that all such proceedings shall be instituted and maintained for the equal benefit of all Registered Owners of Bonds then outstanding.

(c) Remedies Not Exclusive.

(1) No remedy herein conferred or reserved is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Bonds or now or hereafter existing at law or in equity; provided, however, that notwithstanding any other provision of this Resolution, the right to accelerate the debt evidenced by the Bonds shall not be available as a remedy under this Resolution.

(2) The exercise of any remedy herein conferred or reserved shall not be deemed a waiver of any other available remedy.

(3) By accepting the delivery of a Bond authorized under this Resolution, such Registered Owner agrees that the certifications required to effectuate any covenants or representations contained in this Resolution do not and shall never constitute or give rise to a personal or pecuniary liability or charge against the officers, employees or directors of the District.

(4) None of the members of the Board, nor any other official or officer, agent, or employee of the District, shall be charged personally by the Registered Owners with any liability, or be held personally liable to the Registered Owners under any term or provision of this Resolution, or because of any Event of Default or alleged Event of Default under this Resolution.

Section 27. RESOLUTION A CONTRACT; AMENDMENTS. The District acknowledges that the covenants and obligations of the District herein contained are a material inducement to the purchase of the Bonds. This Resolution shall constitute a contract with the holders of the Bonds from time to time, binding on the District and its successors and assigns, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in this Section 27. The District may, without the consent of or notice to any holders of Bonds, from time to time and at any time amend this Resolution in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, inconsistency, or formal defect or omission herein. In addition, the District may, with the written consent (expressed as provided herein) of the holders of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of this Resolution; provided that, without the consent of the holders of all of the Bonds affected, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. Whenever the District shall desire to make any amendment or addition to or rescission of this Resolution requiring the consent of holders of the Bonds, the District shall cause notice of the amendment, addition, or rescission to be published at least once a week for two consecutive weeks in a newspaper or financial journal of general circulation in the City of Austin, Texas, the first of each such publications being at least thirty (30) days prior to the date of adoption of such amendment, addition, or rescission. If, because of temporary or permanent suspension of publication or general circulation of such newspapers or journals, it is impossible or impracticable to publish such notice in the manner provided herein, then such publication in lieu thereof as the District shall deem satisfactory shall constitute sufficient publication of such notice. Whenever, at any time within one (1) year after the date of the first publication of such notice, the District shall receive an instrument or instruments in writing executed by the holders of a majority in aggregate principal amount of the Bonds then outstanding affected by any such amendment, addition, or rescission requiring the consent of holders of Bonds, which instrument or instruments shall refer to the proposed amendment, addition, or rescission described in such notice and shall specifically consent to and approve the adoption thereof in substantially the form of the copy thereof referred to in such notice, thereupon, but not otherwise, the District may adopt such amendment, addition, or rescission in substantially such form, except as herein provided. No holder of Bonds may thereafter object to the adoption of such amendment, addition, or rescission, or to any of the provisions thereof, and such amendment, addition, or rescission shall be fully effective for all purposes.

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TAX MATTERS

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

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

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

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

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

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES . . . The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

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

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

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

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

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CONTINUING DISCLOSURE OF INFORMATION

The District has made 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, not in excess of 10 business days after the event's occurrence, to the Municipal Securities Rulemaking Board (the "MSRB"), through its Electronic Municipal Markets Access ("EMMA") system, where said information will be available to the general public, without charge, at www.emma.msrb.org.

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT INFORMATION," "FINANCIAL INFORMATION," and in APPENDICES A and B. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements of the District, if the District commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within 12 months after the fiscal year end, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such twelve month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The District will provide timely notices of certain specified 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) nonpayment 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; (13) consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District (as defined by the Rule, which includes debt, debt-like and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer of the District in a proceeding under the United States Bankruptcy Court or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term "Financial Obligation" is defined in the Bond Order to mean (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, and existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words in such clauses (15) and (16) in the preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 29, 2018.

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

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

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

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted a purchaser to purchase or sell Bonds in the offering described herein in compliance with SEC Rule 15c2-12, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as a nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but in either case, only to the extent that its right to do so would not prevent the Purchaser from lawfully purchasing the Bonds in the offering described herein. 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 reason 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 . . . For the past five years, the District has been in material compliance with its continuing disclosure agreements each year in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATING . . . The Bonds and the outstanding debt of the District have been rated “AA” by S&P Global Ratings (“S&P”) without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

LITIGATION . . . It is the opinion of General Counsel for the District and District Staff that there is no pending litigation against the District that would have a material adverse financial impact upon the District or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE . . . The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The District assumes no responsibility for 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 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “OTHER INFORMATION – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks,

savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the District has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINIONS . . . The District will furnish the Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District. The District will also furnish the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding special obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. See “APPENDIX C – Form of Bond Counsel’s Opinion.”

Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement under the captions “THE BONDS” (except for the subcaption “Book-Entry-Only-System”), “SECURITY FOR THE BONDS,” “SELECTED PROVISIONS OF THE BOND RESOLUTION,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except for the subcaption “Compliance with Prior Undertakings”), “OTHER INFORMATION – Registration and Qualification of Bonds for Sale,” “OTHER INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas” and “OTHER INFORMATION – Legal Opinions” (except for the last sentence of the second paragraph) to determine that the information relating to the Bonds and the Bond Resolution contained therein fairly and accurately describes the provisions thereof and is correct as to matters of law. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System.

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. Specialized Public Finance Inc., in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the District has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the District 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.

CERTIFICATION OF OFFICIAL STATEMENT . . . The District, acting through its Board of Directors in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

PURCHASER . . . After requesting competitive bids for the Bonds, the District accepted the bid of SAMCO Capital Markets to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of approximately 98.931% of par. The initial reoffering price to the public by the Purchaser, produces compensation to the Purchaser of \$170,588.75. The Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the District to the Purchaser. The District has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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.

This Official Statement was approved by the Board of Directors of Travis County Water Control and Improvement District No. 17, as of the date shown on the cover page.

JEFF ROBERTS
President
Travis County Water Control and
Improvement District No. 17

ATTEST:

ELICIA G. MICHAUD
Alternative Secretary
Travis County Water Control and
Improvement District No. 17

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APPENDIX A

GENERAL INFORMATION REGARDING THE DISTRICT

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THE DISTRICT . . . At creation, the District encompassed approximately 4,500 acres of land. Subsequent annexations have increased the size of the District to approximately 15,000 acres. The District is located west of the City of Austin in Travis County, Texas. Ranch Road 620 bisects the District. The District lies wholly within the extraterritorial jurisdiction of the Cities of Austin, Lakeway and Bee Cave, and portions of the District lie within the limited purpose jurisdiction of the City of Austin and the corporate limits of the City of Lakeway. The District currently levies a District-wide ad valorem maintenance tax of not to exceed \$0.06 per \$100 valuation. Such tax revenues are available to pay operating and maintenance expenses of the District including the System but such taxes are **not** pledged to the Bonds. **The District has not pledged monies to be raised from taxation to the payment of the Bonds.**

**HISTORICAL DISTRICT TAX BASE, TAX RATE AND COLLECTION EXPERIENCE FOR
TAXES LEVIED ON ALL PROPERTY IN THE DISTRICT**

Tax Year	Assessed Valuation ^(a)	Tax Rate	Levy	% Collections Total	Year Ended 9/30
2020	\$ 7,214,998,033	\$ 0.0599	\$4,321,784	96.79%	2021
2019	6,699,801,970	0.0599	4,183,080	99.63%	2020
2018	6,626,263,548	0.0599	3,962,593	99.68%	2019
2017	6,079,513,284	0.0599	3,637,144	99.76%	2018
2016	5,607,366,681	0.0599	3,354,999	99.90%	2017
2015	5,006,921,702	0.0585	2,929,049	99.93%	2016
2014	4,429,045,688	0.0575	2,546,701	97.36%	2015
2013	4,236,281,992	0.0575	2,435,862	99.35%	2014
2012	3,978,811,423	0.0600	2,387,288	99.17%	2013
2011	3,547,348,767	0.0600	2,147,435	99.40%	2012
2010	3,261,211,963	0.0600	1,956,727	98.59%	2011
2009	3,344,117,301	0.0575	1,922,867	99.57%	2010
2008	3,232,830,543	0.0575	1,865,144	101.40%	2009

(a) Source: Travis Central Appraisal District.

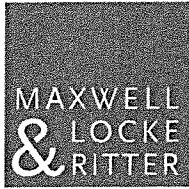
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APPENDIX B

**EXCERPTS FROM THE
TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 17
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2020**

The information contained in this APPENDIX consists of excerpts from the Travis County Water Control and Improvement District No. 17 Annual Financial Report for the Year Ended September 30, 2020, and is not intended to be a complete statement of the District's financial condition. Reference is made to the complete Report for further information.

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Independent Auditors' Report

To the Board of Directors of
Travis County Water Control and Improvement District No. 17:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Travis County Water Control and Improvement District No. 17 (the "District"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

Affiliated Company
ML&R WEALTH MANAGEMENT LLC
A non-licensed Investment Advisor
DBS File # 1601494300

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Maxwell Locke + Ritter LLP

Austin, Texas
January 28, 2021

Travis County Water Control and Improvement District No. 17

Management's Discussion and Analysis for the Year Ended September 30, 2020

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Travis County Water Control and Improvement District No. 17 (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2020. Please read it in connection with the District's financial statements that follow.

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 "Total Governmental Funds" column. An adjustment column includes those entries needed to convert to the full accrual basis government-wide statements. Government-wide statements are comprised of the Statement of Net Position and the Statement of Activities.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

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

Other supplementary information is also included.

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

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

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

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

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

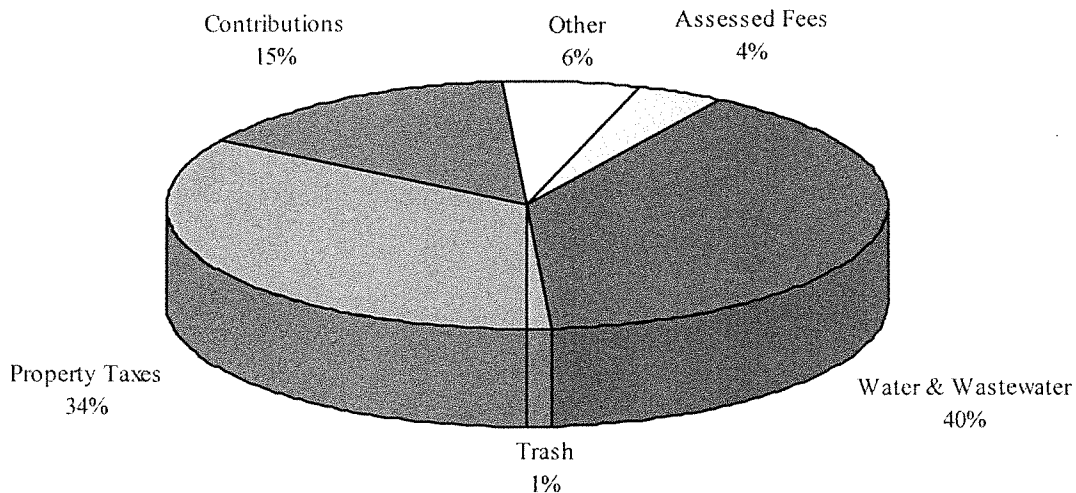
Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2020	2019	% Change
Current and other assets	\$ 68,081,149	\$ 63,617,650	7%
Capital assets	235,908,972	231,477,597	2%
Total assets	<u>303,990,121</u>	<u>295,095,247</u>	<u>3%</u>
Deferred outflows of resources	1,599,134	1,536,647	4%
Current liabilities	15,203,240	15,267,614	(<1%)
Long-term liabilities	121,329,934	125,377,022	(3%)
Total liabilities	<u>136,533,174</u>	<u>140,644,636</u>	<u>(3%)</u>
Net investment in capital assets	112,109,003	103,143,734	9%
Restricted	5,651,516	6,796,383	(17%)
Unrestricted	51,295,562	46,047,141	11%
Total net position	<u>\$ 169,056,081</u>	<u>\$ 155,987,258</u>	<u>8%</u>

The District's total assets were approximately \$304 million as of September 30, 2020. Of this amount, approximately \$235.9 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$136.5 million of which \$130.3 million represent bonds payable.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2020	2019	% Change
Water and wastewater	\$ 16,408,876	\$ 14,874,794	10%
Trash and recycling	488,506	441,933	11%
Property taxes	14,051,374	13,608,984	3%
Contributions	6,054,612	2,548,070	138%
Assessed fees	1,798,720	1,684,181	7%
Other	2,838,542	3,155,866	(10%)
Total Revenues	41,640,630	36,313,828	15%
Water and wastewater	2,344,494	2,587,831	(9%)
Trash and composting	444,768	413,318	8%
Salary and related expenditures	5,831,184	5,426,616	7%
Professional services	512,413	672,104	(24%)
Materials and supplies	782,125	794,720	(2%)
Repairs and maintenance	1,135,596	1,249,815	(9%)
Utilities	1,806,524	1,932,142	(7%)
Insurance	341,165	323,096	6%
Apache Shores	894,339	834,726	7%
Chemicals and lab tests	381,353	358,968	6%
Other	1,148,666	1,292,170	(11%)
Debt service	4,738,584	4,977,707	(5%)
Depreciation	8,210,596	7,992,892	3%
Total Expenses	28,571,807	28,856,105	(1%)
Change in net position	13,068,823	7,457,723	75%
Beginning net position	155,987,258	148,529,535	5%
Ending net position	\$ 169,056,081	\$ 155,987,258	8%

Operating revenues increased by approximately \$5.3 million to approximately \$41.6 million for the fiscal year ended September 30, 2020. Water and wastewater provided approximately \$16.4 million, various assessed fees provided approximately \$1.8 million, and property taxes generated approximately \$14.1 million in revenues. Total expenses decreased approximately \$284,000 to approximately \$28.6 million for the fiscal year ended September 30, 2020. Net position increased approximately \$13.1 million and \$7.5 million for the fiscal years ended September 30, 2020 and 2019, respectively.

Analysis of Governmental Funds

Government Funds by Year

	<u>2020</u>	<u>2019</u>
Cash and cash equivalents	\$ 13,503,303	\$ 15,078,800
Temporary investments	51,773,917	45,248,772
Accounts receivable	2,431,587	2,828,054
Inventory	5,000	5,000
Prepaid and other assets	41,193	36,277
Due from other funds	<u>8,143,482</u>	<u>8,624,390</u>
Total assets	<u>\$ 75,898,482</u>	<u>\$ 71,821,293</u>
Accounts payable	\$ 3,461,347	\$ 3,437,576
Accrued liabilities	138,631	189,538
Customer deposits	1,091,619	877,705
Unearned revenue	71,419	74,656
Due to other funds	<u>8,143,482</u>	<u>8,624,390</u>
Total liabilities	<u>12,906,498</u>	<u>13,203,865</u>
Deferred inflows of resources	<u>149,186</u>	<u>143,486</u>
Nonspendable	46,193	41,277
Restricted for debt service	7,041,268	8,292,278
Restricted for capital projects	11,550,263	9,875,854
Committed	636,460	2,652,486
Unassigned	<u>43,568,614</u>	<u>37,612,047</u>
Total fund balances	<u>62,842,798</u>	<u>58,473,942</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 75,898,482</u>	<u>\$ 71,821,293</u>

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were more than budgeted revenues primarily due to the District receiving more connection and other fees than budgeted. Expenditures were less than budgeted primarily due to fewer capital outlay expenditures. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of approximately \$9.2 million and interest of approximately \$4.0 million during the year ended September 30, 2020. More detailed information about the District's debt is presented in the *Notes to Basic Financial Statements*.

The *Capital Projects Fund* primarily purchases the District's infrastructure. Capital outlay expenditures were approximately \$5.8 million for the year ended September 30, 2020.

During the year ended September 30, 2020, the District issued \$19,025,000 in Unlimited Tax Refunding Bonds in the Steiner Ranch Defined Area and \$4,500,000 in Unlimited Tax Bonds in the Serene Hills Defined Area. More detailed information about these bond issuances are presented in the *Notes to Basic Financial Statements*.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District's services, the pandemic may negatively impact the District's business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

Capital Assets and Long-Term Debt Activity

Capital Assets

	<u>2020</u>	<u>2019</u>
Land and easements	\$ 2,676,443	\$ 2,676,443
Construction in progress	1,143,335	12,707,735
Infrastructure	323,295,868	299,212,566
Buildings	1,666,389	1,666,389
Furniture, fixtures & equipment	<u>5,294,518</u>	<u>5,210,850</u>
Subtotal	334,076,553	321,473,983
Accumulated depreciation	<u>(98,167,581)</u>	<u>(89,996,386)</u>
Total	<u>\$ 235,908,972</u>	<u>\$ 231,477,597</u>

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

Long-Term Debt Activity

	<u>2020</u>	<u>2019</u>
Current portion	\$ 8,985,000	\$ 9,125,000
Long term portion	<u>114,714,998</u>	<u>125,377,022</u>
Total	<u>\$ 123,699,998</u>	<u>\$ 134,502,022</u>

During the year, the District issued \$19,025,000 in refunding bonds to refund then outstanding principal of \$19,650,000 and issued \$4,500,000 in unlimited tax bonds. More detailed information about the District's long-term debt is presented in the *Notes to Basic Financial Statements*.

Currently Known Facts, Decisions, or Conditions

The adopted budget for 2021 projected an increase in revenue of approximately \$630,000 compared to the 2020 final operating budget and a decrease in expenditures of approximately \$1.1 million from the 2020 final operating budget. The tax rate has been set at \$0.0599 and \$0.0750 per \$100 of assessed value for the District wide area and the Serene Hills Defined Area, respectively, for operations and maintenance funds, and \$0.2889, \$0.3422, and \$0.5500 per \$100 assessed value for the Steiner Ranch Defined Area, Flintrock Ranch Estates Defined Area, and Serene Hills Defined Area, respectively, which is for debt service funds.

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 at 3812 Eck Lane, Austin, Texas 78734. For an updated description of the areas served by the District and the facilities operated by the District, please refer to the District's website at www.wcid17.org.

Travis County Water Control and Improvement District No. 17

Statement of Net Position and Governmental Funds Balance Sheet September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 12,915,782	-	587,521	13,503,303	-	13,503,303
Temporary investments	32,481,990	11,650,128	7,025,575	51,157,693	-	51,157,693
Restricted investments	-	-	616,224	616,224	-	616,224
Accounts receivable:						
Taxes receivable	83,714	65,472	-	149,186	-	149,186
Service accounts	2,272,291	-	-	2,272,291	-	2,272,291
Other	-	-	10,110	10,110	-	10,110
Due from other funds	4,072,280	-	4,071,202	8,143,482	(8,143,482)	-
Inventory	5,000	-	-	5,000	-	5,000
Prepays and other assets	41,193	-	-	41,193	326,149	367,342
Capital assets (net of accumulated depreciation):						
Land and easements	-	-	-	-	2,676,443	2,676,443
Construction in progress	-	-	-	-	1,143,335	1,143,335
Infrastructure	-	-	-	-	230,685,628	230,685,628
Buildings	-	-	-	-	394,441	394,441
Furniture, fixtures and equipment	-	-	-	-	1,009,125	1,009,125
Total assets	\$ 51,872,250	11,715,600	12,310,632	75,898,482	228,091,639	303,990,121
Deferred outflows of resources-						
Deferred charges on bond refundings	-	-	-	-	1,599,134	1,599,134
Total deferred outflows of resources	-	-	-	-	1,599,134	1,599,134
Total assets and deferred outflows of resources	\$ 51,872,250	11,715,600	12,310,632	75,898,482	229,690,773	305,589,255
Liabilities:						
Accounts payable	\$ 3,337,438	-	123,909	3,461,347	-	3,461,347
Accrued liabilities	158,631	-	-	158,631	-	158,631
Due to other funds	3,534,622	4,608,860	-	8,143,482	(8,143,482)	-
Accrued bond interest payable	-	-	-	-	1,455,224	1,455,224
Customer deposits	1,091,619	-	-	1,091,619	-	1,091,619
Unearned revenue	71,419	-	-	71,419	-	71,419
Long-term liabilities:						
Due within one year	-	-	-	-	8,985,000	8,985,000
Due after one year	-	-	-	-	121,329,934	121,329,934
Total liabilities	8,173,729	4,608,860	123,909	12,906,498	123,626,676	136,533,174
Deferred inflows of resources-						
Property taxes	83,714	65,472	-	149,186	(149,186)	-
Total deferred inflows of resources	83,714	65,472	-	149,186	(149,186)	-
Fund balances/net position:						
Fund balances:						
Nonspendable:						
Inventory	5,000	-	-	5,000	(5,000)	-
Prepays and other assets	41,193	-	-	41,193	(41,193)	-
Restricted for:						
Debt service	-	7,041,268	-	7,041,268	(7,041,268)	-
Capital projects	-	-	11,550,263	11,550,263	(11,550,263)	-
Committed to-						
Impact fee expenditures	-	-	636,460	636,460	(636,460)	-
Unassigned	43,568,614	-	-	43,568,614	(43,568,614)	-
Total fund balances	43,614,807	7,041,268	12,186,723	62,842,798	(62,842,798)	-
Total liabilities, deferred inflows of resources and fund balances	\$ 51,872,250	11,715,600	12,310,632	75,898,482		
Net position:						
Net Investment in capital assets					112,109,003	112,109,003
Restricted for debt service					5,651,516	5,651,516
Unrestricted					51,295,562	51,295,562
Total net position					\$ 169,056,081	169,056,081

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

Travis County Water Control and Improvement District No. 17

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses:						
Service operations:						
Water and wastewater	\$ 2,344,494	-	-	2,344,494	-	2,344,494
Trash and composting	444,768	-	-	444,768	-	444,768
Salary and related expenditures	5,831,184	-	-	5,831,184	-	5,831,184
Professional services	385,152	127,261	-	512,413	-	512,413
Materials and supplies	782,125	-	-	782,125	-	782,125
Repairs and maintenance	1,135,596	-	-	1,135,596	-	1,135,596
Utilities	1,806,524	-	-	1,806,524	-	1,806,524
Insurance	341,165	-	-	341,165	-	341,165
Apache Shores	894,339	-	-	894,339	-	894,339
Chemicals and lab tests	381,353	-	-	381,353	-	381,353
Other	1,135,800	169	12,697	1,148,666	-	1,148,666
Capital outlay	829,377	-	5,757,982	6,587,359	(6,587,359)	-
Debt service:						
Principal payments	-	9,225,000	-	9,225,000	(9,225,000)	-
Interest payments	-	4,018,843	-	4,018,843	(175,394)	3,843,449
Fiscal agent fees and other	-	705,161	274,052	979,213	(84,078)	895,135
Depreciation	-	-	-	-	8,210,596	8,210,596
Total expenditures/expenses	16,311,877	14,076,434	6,044,731	36,433,042	(7,861,235)	28,571,807
Revenues:						
Program revenues:						
Water and sewer service	16,408,876	-	-	16,408,876	-	16,408,876
Trash and recycling service	488,506	-	-	488,506	-	488,506
Connection and service fees	437,672	-	-	437,672	-	437,672
Permit/inspection income	385,743	-	-	385,743	-	385,743
Impact fees	-	-	975,305	975,305	-	975,305
Apache Shores income	1,170,923	-	-	1,170,923	-	1,170,923
Total program revenues	18,891,720	-	975,305	19,867,025	-	19,867,025
Total program expense, net						(8,704,782)
General revenues:						
Property taxes, including penalties and interest	4,475,264	9,570,410	-	14,045,674	5,700	14,051,374
Interest income	469,594	102,994	60,243	632,831	-	632,831
Penalties and fines	269,908	-	-	269,908	-	269,908
Contributions	-	-	-	-	6,054,612	6,054,612
Other income	458,848	231,347	-	690,195	74,685	764,880
Total general revenues	5,673,614	9,904,751	60,243	15,638,608	6,134,997	21,773,605
Total revenues	24,565,334	9,904,751	1,035,548	35,505,633	6,134,997	41,640,630
Excess (deficiency) of revenues over (under) expenditures	8,253,457	(4,171,683)	(5,009,183)	(927,409)	13,996,232	13,068,823
Other financing sources (uses):						
Issuance of bonds	-	-	4,500,000	4,500,000	(4,500,000)	-
Issuance of refunding bonds	-	19,025,000	-	19,025,000	(19,025,000)	-
Discount on sale of bonds	-	-	(17,305)	(17,305)	17,305	-
Premium on sale of bonds	-	1,641,755	45,539	1,687,294	(1,687,294)	-
Payment to refunded bond escrow agent	-	(19,973,409)	-	(19,973,409)	19,973,409	-
Insurance proceeds	-	-	74,685	74,685	(74,685)	-
Transfers in (out)	(2,291,974)	2,227,327	64,647	-	-	-
Total other financing sources (uses)	(2,291,974)	2,920,673	4,667,566	5,296,265	(5,296,265)	-
Changes in fund balances/net position	5,961,483	(1,251,010)	(341,617)	4,368,856	8,699,967	13,068,823
Fund balances/net position:						
Beginning of year	37,653,324	8,292,278	12,528,340	58,473,942	97,513,316	155,987,258
End of year	\$ 43,614,807	7,041,268	12,186,723	62,842,798	106,213,283	169,056,081

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

Travis County Water Control and Improvement District No. 17

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Water and sewer service	\$ 17,122,500	16,868,100	16,408,876	(459,224)
Trash and recycling service	493,200	468,200	488,506	20,306
Property taxes, including penalties and interest	4,409,527	4,409,527	4,475,264	65,737
Connection and service fees	379,200	397,200	437,672	40,472
Penalties and fines	271,100	257,600	269,908	12,308
Interest income	800,000	400,000	469,594	69,594
Permit/inspection income	395,000	316,000	385,743	69,743
Apache Shores income	1,054,600	1,035,600	1,170,923	135,323
Contributions	-	-	-	-
Other income	187,000	197,000	458,848	261,848
Total revenues	25,112,127	24,349,227	24,565,334	216,107
Expenditures:				
Service operations:				
Water and wastewater	2,347,000	2,293,000	2,344,494	(51,494)
Trash and composting	425,000	425,000	444,768	(19,768)
Salary and related expenditures	6,165,584	6,147,118	5,831,184	315,934
Professional services	705,000	400,000	385,152	14,848
Materials and supplies	1,010,000	744,184	782,125	(37,941)
Repairs and maintenance	1,346,000	1,321,000	1,135,596	185,404
Utilities	2,134,900	2,134,900	1,806,524	328,376
Insurance	360,000	360,000	341,165	18,835
Apache Shores	826,150	946,100	894,339	51,761
Chemicals and lab tests	502,400	502,400	381,353	121,047
Other	982,900	1,131,425	1,135,800	(4,375)
Capital outlay	2,628,076	2,513,076	829,377	1,683,699
Total expenditures	19,433,010	18,918,203	16,311,877	2,606,326
Excess of revenues over expenditures	5,679,117	5,431,024	8,253,457	2,822,433
Other financing uses-				
Transfers out	-	-	(2,291,974)	(2,291,974)
Change in fund balance	5,679,117	5,431,024	5,961,483	530,459
Fund balances:				
Beginning of year	37,653,324	37,653,324	37,653,324	-
End of year	\$ 43,332,441	43,084,348	43,614,807	530,459

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

Travis County Water Control and Improvement District No. 17

Notes to Basic Financial Statements Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

Travis County Water Control and Improvement District No. 17 (the “District”), was created by an order of the Commissioners’ Court of Travis County, Texas on December 8, 1958, and confirmed by the electorate of the District at a confirmation election held on February 28, 1959. The Board of Directors (the “Board”) held its first meeting in December 1958, and the first bonds were sold on November 15, 1959. The District operates and maintains a water treatment and distribution system in Travis County, Texas under Chapter 51 of the Texas Water Code. The District is a political subdivision of the State of Texas and operates under an elected Board of Directors. Additional information related to the District, including information on the utility service territory and water and wastewater facilities operated by the District, is available on the District’s website at www.wcid17.org.

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 which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“GASB”) since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters. In addition, there are no component units which are included in the District’s reporting entity.

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

Budgets and Budgetary Accounting

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

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

Cash and Cash Equivalents - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of money market funds, are recorded at cost, which approximates fair value.

Investments - Temporary investments throughout the year consisted of investments in an external local government investment pool, certificates of deposit, and money market mutual funds. The external local government investment pool is recognized at amortized cost as permitted by GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. The District's deposits and investments are invested pursuant to the investment policy, which is approved annually by the Board. The District's investment policies and types of investments are governed by Section 2256 of the Texas Government Code ("Public Funds Investment Act"). The District's management believes that it complied with the requirements of the Public Funds Investment Act and the District's investment policy. The District accrues interest on temporary investments based on the terms and effective interest rates of the specific investments. Restricted investments consist of escrowed bond proceeds.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. As of September 30, 2020, there was no allowance for uncollectible accounts.

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

Capital Assets - Capital assets, which include land and easements, construction in progress, infrastructure (water, wastewater, drainage and distribution systems, and water tanks purchased, constructed or donated), buildings, and furniture, fixtures and equipment, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized.

Capital assets (other than land and easements and construction in progress) are depreciated using the straight line method over the following estimated useful lives: infrastructure - twenty to fifty years, buildings - thirty years, furniture, fixtures and equipment - five to ten years.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, including bond insurance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 6 for additional information on deferred outflows of resources.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 9 for additional information on those fund balance classifications.

Included in restricted fund balance in the Debt Service Fund are funds collected from customers of the Apache Shores water system for the payment of annual debt service requirements. These fees, which are assessed through debt service fees and capacity buy-in fees on the customer's monthly water bill, cannot be used in the daily operation of the system or combined with the District's debt service collections or operating needs.

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

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

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

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

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

Recently Issued Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. Management is evaluating the effects that the full implementation of GASB Statement No. 87 will have on its financial statements for the year ended September 30, 2022.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest costs incurred before the end of a construction period. Under GASB Statement No. 89, interest costs will no longer be capitalized as part of the asset but will be shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. Management is evaluating the effects that the full implementation of GASB Statement No. 89 will have on its financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

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

Governmental funds total fund balance	\$ 62,842,798
Prepaid bond insurance costs are recorded as expenditures in the funds, but are amortized over the life of the related bonds in the statement of net position.	326,149
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	235,908,972
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	149,186
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, including premiums and discounts	(129,368,550)
Less: Deferred charges on bond refundings	1,599,134
Accretion payable	(946,384)
Bond interest payable	<u>(1,455,224)</u>
Total net position	<u>\$ 169,056,081</u>

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

Change in fund balances	\$ 4,368,856
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense:	
Capital outlay	6,587,359
Depreciation expense	(8,210,596)
Contributed capital assets	6,054,612
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds:	
Change in deferred tax revenue	5,700
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	9,225,000
Bond proceeds, including premium and discount	(25,194,989)
Payment to refunded bond escrow agent	19,973,409
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in bond interest payable	107,915
Change in accretion payable	(21,384)
Amortization of deferred charges on bond refunding	(260,922)
Amortization of bond premium	648,517
Amortization of original issue discount	(120,056)
Bond insurance premium	84,078
Amortization of bond insurance costs	<u>(178,676)</u>
Change in net position	<u>\$ 13,068,823</u>

3. Cash, Cash Equivalents, and Temporary Investments

The District's deposits are required to be secured in the manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2020, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

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

The District is entitled to invest in obligations of the United States, the State of Texas and their agencies or any state, county, city and any other political subdivisions of any state rated by a nationally recognized investment rating firm with a rating not less than A or its equivalent, certificates of deposit of state or national banks or savings and loan associations within the State, prime domestic bankers' acceptances, commercial paper with a stated maturity of 270 days or less from the date of its issuance, fully collateralized repurchase agreements, no-load money market mutual funds regulated by the United States Securities and Exchange Commission, and eligible public funds investment pools.

Investments held at September 30, 2020 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pool- TexStar	\$ 34,952,690	1	AAAm
Certificates of Deposit	16,205,003	345	N/A
Money Market Mutual Funds	616,224	1	AAAm
Total	<u>\$ 51,773,917</u>		

The District had investments in an external local government investment pool, Texas Short-Term Asset Reserve ("TexStar"). Although TexStar is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. This investment is stated at amortized cost, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

TexStar is administered by First Southwest Company and JPMorgan Chase. TexStar is overseen by a five-member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management and accountability for fiscal matters. In addition, TexStar has a Participant Advisory Board which provides input and feedback on the operations and direction of the program, and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. TexStar's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act.

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

The District also invests in money market mutual funds. Money market mutual funds are valued using Level 1 inputs that are based on market data obtained from independent sources. The investments are reported by the District at fair value in accordance with GASB Statement No. 72.

The restricted investments (money market mutual funds) in the Capital Projects Fund consist of the remaining proceeds of the Series 2006 Unlimited Tax Bonds, Series 2009A Unlimited Tax Bonds, and Series 2010 Unlimited Tax Bonds. These funds can only be released from escrow upon written authorization from the Texas Water Development Board.

Credit Risk - At September 30, 2020, investments were comprised of an external local governmental investment pool, certificates of deposit, and money market mutual funds with ratings from Standard & Poor’s in compliance with the District’s investment policy. At September 30, 2020, all certificates of deposits were collateralized in compliance with the District’s investment policy.

Interest Rate Risk - The District considers the holdings in the external local governmental investment pool and money market mutual funds to have a one day weighted average maturity due to the fact that the share position can usually be redeemed each day at the discretion of the shareholders, unless there has been a significant change in value. At September 30, 2020, the District’s holdings in certificates of deposit had a weighted average maturity of 345 days.

4. Interfund Receivables, Payables, and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds.” The composition of interfund balances as of September 30, 2020, was as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Debt Service	\$ 4,072,280
Capital Projects	General Fund	3,534,622
Capital Projects	Debt Service	536,580
Total		<u>\$ 8,143,482</u>

During the year, the Capital Projects Fund transferred \$2,243,541 to the Debt Service Fund for repayment of bonds with water impact fees collected by the Capital Projects Fund. The General Fund transferred \$2,308,188 to the Capital Projects Fund for capital outlay expenditures. The Debt Service Fund transferred \$16,214 to the General Fund for property taxes collected by the Debt Service Fund.

5. Capital Assets

Capital assets activity for the year ended September 30, 2020, was as follows:

	Balance 9/30/2019	Additions	Retirements and Transfers	Balance 9/30/2020
Capital assets not being depreciated:				
Land and easements	\$ 2,676,443	-	-	2,676,443
Construction in progress	12,707,735	2,081,287	(13,645,687)	1,143,335
Total capital assets not being depreciated	<u>15,384,178</u>	<u>2,081,287</u>	<u>(13,645,687)</u>	<u>3,819,778</u>
Capital assets being depreciated:				
Infrastructure	299,212,566	10,437,615	13,645,687	323,295,868
Buildings	1,666,389	-	-	1,666,389
Furniture, fixtures and equipment	5,210,850	123,069	(39,401)	5,294,518
Total capital assets being depreciated	<u>306,089,805</u>	<u>10,560,684</u>	<u>13,606,286</u>	<u>330,256,775</u>
Less accumulated depreciation for:				
Infrastructure	(84,961,642)	(7,648,598)	-	(92,610,240)
Buildings	(1,190,204)	(81,744)	-	(1,271,948)
Furniture, fixtures and equipment	(3,844,540)	(480,254)	39,401	(4,285,393)
Total accumulated depreciation	<u>(89,996,386)</u>	<u>(8,210,596)</u>	<u>39,401</u>	<u>(98,167,581)</u>
Total capital assets being depreciated, net	<u>216,093,419</u>	<u>2,350,088</u>	<u>13,645,687</u>	<u>232,089,194</u>
Capital assets, net	<u>\$ 231,477,597</u>	<u>4,431,375</u>	<u>-</u>	<u>235,908,972</u>

6. Deferred Charges on Bond Refundings

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2020:

	Balance 9/30/2019	Additions	Retirements	Balance 9/30/2020
Deferred charges on bond refundings	\$ 1,536,647	323,409	(260,922)	1,599,134

7. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2020:

	Balance 9/30/2019	Additions	Retirements	Balance 9/30/2020
Bonds payable	\$ 129,049,998	23,525,000	(28,875,000)	123,699,998
Accretion payable	925,000	21,384	-	946,384
Discount on bonds	(693,205)	(17,305)	120,056	(590,454)
Premium on bonds	5,220,229	1,687,294	(648,517)	6,259,006
Total	<u>\$ 134,502,022</u>	<u>25,216,373</u>	<u>(29,403,461)</u>	<u>130,314,934</u>

Long-term debt at September 30, 2020 is comprised of the following:

	Balance September 30, 2020	Due in One Year
\$2,100,000, Series 1997, Apache Shores Revenue Bond, maturing annually on October 1 through 2026. Interest varies from 5.95% to 6.10% and is payable on April 1 and October 1 each year. Bonds are callable on October 1, 2007.	\$ 750,000	\$ -
\$1,100,000, Series 2004, Travis County Water Control and Improvement District No. 17 River Ridge Unlimited Tax Bonds, maturing annually on November 1 through 2029. Interest varies from 4.80% to 5.75% and is payable on May 1 and November 1 each year. Bonds are callable on May 1, 2014.	625,000	50,000
\$14,040,000, Series 2009, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2020. Interest varies from 4.50% to 5.25% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2018.	670,000	670,000
\$5,409,999, Series 2009, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2020. Interest varies from 3.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2017.	285,000	285,000

\$1,775,000, Series 2010, Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Bonds, maturing annually on November 1 through 2032. Interest varies from 2.84% to 5.34% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.	1,260,000	70,000
\$7,014,997, Series 2011, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2021. Interest varies from 2.00% to 3.25% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.	1,655,000	1,325,000
\$2,350,000, Series 2011, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2020. Interest varies from 2.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.	110,000	110,000
\$11,160,000, Series 2012, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2020. Interest varies from 2.00% to 4.50% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.	1,360,000	1,360,000
\$14,834,984, Series 2013, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2020. Interest varies from 2.00% to 3.25% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.	395,000	395,000
\$2,550,000, Series 2013, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2031. Interest varies from 2.00% to 3.25% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.	1,895,000	125,000

<p>\$2,749,997, Series 2013, Travis County Water Control and Improvement District No. 17 Flintrock Ranch Estates Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2031. Interest varies from 2.00% to 3.375% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2020.</p>	1,880,000	185,000
<p>\$6,830,000, Series 2014, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2025. Interest varies from 2.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2021.</p>	3,970,000	715,000
<p>\$12,919,989, Series 2015, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2031. Interest varies from 2.00% to 3.125% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2022.</p>	10,860,000	440,000
<p>\$2,230,000, Series 2015, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2035. Interest varies from 2.00% to 3.50% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2022.</p>	1,930,000	85,000
<p>\$4,450,000, Series 2015, Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2040. Interest varies from 2.00% to 4.125% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2023.</p>	4,180,000	105,000
<p>\$11,574,998, Series 2016, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2030. Interest varies from 2.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2023.</p>	11,009,998	460,000

\$6,705,000, Series 2016, Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Refunding Bonds, maturing annually on November 1 through 2032. Interest varies from 2.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2019.	5,450,000	420,000
\$14,505,000, Series 2017, Travis County Water Control and Improvement District No. 17 Flintrock Ranch Estates Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2037. Interest varies from 3.00% to 3.625% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2025.	14,105,000	630,000
\$4,125,000, Series 2017, Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2041. Interest varies from 3.00% to 4.25% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2025.	3,930,000	105,000
\$7,000,000, Series 2017A, Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2042. Interest varies from 2.00% to 5.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2025.	6,835,000	175,000
\$5,000,000, Series 2018, Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2043. Interest varies from 3.00% to 5.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2024.	5,000,000	170,000
\$2,470,000, Series 2019, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on November 1 through 2032. Interest varies from 3.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2029.	2,450,000	140,000
\$19,685,000, Series 2019, Travis County Water Control and Improvement District No. 17 Water and Sewer System Revenue Refunding Bonds, maturing annually on November 1 through 2037. Interest varies from 3.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2029.	19,570,000	765,000

\$4,500,000, Series 2019, Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on November 1 through 2044. Interest varies from 2.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2025.	4,500,000	-
\$19,025,000 Series 2020, Travis County Water Control and Improvement District No. 17 Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, maturing annually on May 1 through 2032. Interest varies from 2.00% to 4.00% and is payable on May 1 and November 1 each year. Bonds are callable on May 1, 2030.	<u>19,025,000</u>	<u>200,000</u>
Total long-term debt	<u>\$ 123,699,998</u>	<u>8,985,000</u>

No accretion payable is due in one year at September 30, 2020.

On November 26, 2019, the District issued \$4,500,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2019, to reimburse the District's developer for construction and engineering, pay interest on funds advanced by the developer on behalf of the District, and pay certain other costs related to the issuance of bonds. The net proceeds of \$4,256,956 (after payment of \$276,663 in underwriter fees, insurance, and other bond related costs) was deposited in the Capital Projects Fund to provide payments for developer reimbursements and to reimburse for bond issue costs.

On September 22, 2020, the District issued \$19,025,000 in Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, Series 2020, to advance refund \$1,685,000 of its previously issued Series 2011 bonds, advance refund \$6,545,000 of its previously issued Series 2012 bonds and advance refund \$11,420,000 of its previously issued Series 2013 bonds in order to lower its overall debt service requirements. The net proceeds of \$19,978,896 (after payment of \$687,859 in underwriting fees, insurance, and other issuance costs) were used for the following: 1) \$19,973,409 was deposited with an escrow agent to provide the debt service payment on the portion of bonds advance refunded; and 2) \$5,487 was deposited in the District's Debt Service Fund for future principal and interest payments. As a result, \$19,650,000 of bond principal is considered defeased, and the liability of these bonds was removed from the basic financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$323,409. This amount is recorded as a deferred outflow of resources and amortized over the remaining life of the refunded debt which was equal to the life of the new debt issued. The advance refunding reduced debt service payments by \$1,257,035 and resulted in an economic gain of \$1,293,708.

The bond resolutions require that the District levy and collect an ad valorem debt service tax sufficient to pay interest and principal on bonds when due and cover the cost of assessing and collecting taxes. These provisions have been met, and the cash allocated for these purposes is sufficient to meet debt service requirements through the fiscal year ended September 30, 2020.

The Series 1997 Bond Resolution requires the District to use fees collected from users in the Apache Shores water system for payment of the interest and principal on bonds when due.

As of September 30, 2020, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2021	\$ 8,985,000	3,693,858	12,678,858
2022	7,379,998	4,685,092	12,065,090
2023	7,930,000	3,469,925	11,399,925
2024	8,190,000	3,222,267	11,412,267
2025	7,825,000	2,969,307	10,794,307
2026-2030	41,545,000	10,691,531	52,236,531
2031-2035	23,800,000	4,786,328	28,586,328
2036-2040	12,805,000	1,821,825	14,626,825
2041-2045	5,240,000	363,329	5,603,329
Total	<u>\$ 123,699,998</u>	<u>35,703,462</u>	<u>159,403,460</u>

The outstanding Steiner Ranch Defined Area Unlimited Tax Refunding Bonds, Series 2016, include both current interest bonds and capital appreciation bonds. The interest shown above, with respect to the capital appreciation bonds, includes the interest to be paid on the bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years.

In the current year, the District defeased certain outstanding general obligation bonds by placing the proceeds of the new bonds in irrevocable trusts to provide for all the future debt service payments on the old bonds. Accordingly, the trust account assets and defeased bonds are not included in the District's financial statements. At September 30, 2020, outstanding bonds of \$19,650,000 are considered defeased.

At September 30, 2020, unlimited tax bonds of approximately \$34,155,000 were authorized by the District, but unissued. Of this amount, \$29,925,000 represents unissued Serene Hills Defined Area Bond authority, and \$4,230,000 represents Flintrock Ranch Estates Defined Area Bond authority.

8. Property Taxes

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

The combined tax rate was \$0.0599 per \$100 assessed valuation District-wide, except for the Steiner Ranch Defined Area, Flintrock Ranch Estates Defined Area, and the Serene Hills Defined Area. The Steiner Ranch Defined Area, Flintrock Ranch Estates Defined Area, and Serene Hills Defined Area had additional tax rates of \$0.2899, \$0.3422, and \$0.6250 per \$100 assessed valuation, respectively. The total 2019 tax levy was \$14,109,298 based on a taxable valuation of \$10,080,567,150.

9. Fund Balances

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

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

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

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

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

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

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

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

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.

10. Impact Fees

In July 1984, the District's Board voted for an amendment to the District's Rules and Policies which provides for the assessing of certain fees from developers in the area serviced by the District. These fees are kept separate from other revenue of the District and are used for the purpose of constructing improvements to the District's water treatment, storage, pumping and transmission facilities.

In December 1987, the District and Steiner Ranch Development Corporation (the “Developer”) entered into an annexation agreement. In May 1988, the voters of the District approved the issuance of Defined Area Bonds for the annexed land. The issuance of the Defined Area Bonds is for payment and reimbursement to the Developer for a portion of all costs to provide water, sewer and drainage facilities for the annexed land. The District cannot issue new Steiner Ranch Defined Area debt if the tax rate for payment of debt service on the Defined Area Bonds is greater than \$0.89 minus the District-wide tax rate per \$100 assessed valuation.

The District’s Board has regularly reviewed and approved Land Use Assumptions and Capital Improvements Plans for Water and Wastewater for all regions of the District. By doing so they have approved Water and Wastewater Impact Fees. These fees are kept separate from other revenue of the District and are used for the purpose of constructing improvements to the District’s Water and Wastewater treatment, storage, pumping and transmission facilities. At September 30, 2020, the District had committed fund balance related to these impact fees of \$636,460.

11. Deferred Compensation Plans

The District offers its employees a deferred compensation plan established in accordance with Internal Revenue Code 457 and a deferred compensation plan established in accordance with Internal Revenue Code 401(a). Assets and income of the District’s plans are held in custodial accounts with a bank for the exclusive benefit of participants and their beneficiaries. Accordingly, the plans’ assets and liabilities are not recorded in the District’s basic financial statements.

12. Risk Management

The District’s risk management program includes coverage through third party insurance providers for automobile liability, director and officer liability, public official position liability, and general liability. Losses in excess of the various deductible levels are covered through traditional indemnity coverage. Settled claims have not exceeded insurance limits for the past three years.

13. Commitments and Contingencies

The District has entered into construction contracts for the following projects as of September 30, 2020:

Project Name	Remaining Commitments
Eck Ln & Mansfield WTP Improvements	\$ 1,143,800
Lohmans Pump Station Improvements	1,504,680
Total remaining commitments	<u>\$ 2,648,480</u>

The District has entered into several cost share agreements between the District and the developers for the sharing of construction and engineering expenses related to various projects. The Cost Share Agreements represent the respective pro-rata share of capacity each party shall have in the projects.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which continues to spread throughout the United States. While the disruption is expected to be temporary, there is uncertainty around the duration. Due to the nature of the District's services, the pandemic may negatively impact the District's business, results of operations, and financial position; however, the related financial impact cannot be reasonably estimated at this time.

14. Water and Wastewater Contracts

Contract 59757

On May 23, 2001, the District entered into a contract with the Lower Colorado River Authority (the "LCRA") for the right to divert up to 8,800 acre-feet (2,867,920,000 gallons) of raw water per annum from Lake Travis in Travis County, Texas. This contract was amended on April 7, 2011. Water supplied under this contract will be utilized for municipal uses only. The term of the contract is 50 years, ending on May 23, 2051.

On a monthly basis, the District agrees to pay an amount equal to the water rate determined by the Board of Directors of the LCRA to then be in effect for all sales of water for municipal purposes times the amount of water diverted during the previous month. On a calendar year basis, the District agrees to pay an amount equal to the rate determined by the Board of Directors of the LCRA, to then be in effect for diversion of water in amounts in excess of the maximum annual quantity (the "Inverted Block Rate"). As of September 30, 2020, the raw water rate was \$145/acre-feet of water and the Inverted Block Rate was \$290/acre-feet of water. During the current fiscal year, the District incurred costs of \$1,148,757 in relation to Contract 59757 with the LCRA.

Contract 8000287348

On August 16, 2013, the District entered into a contract with the LCRA for the right to divert up to 494 acre-feet of raw water per annum from Lake Travis in Travis County, Texas. Water supplied under this contract will be utilized for recreational uses only. The term of the contract is 10 years.

On a monthly basis, the District agrees to pay an amount equal to the water rate determined by the Board of Directors of the LCRA to then be in effect for all sales of water for recreational purposes times the amount of water diverted during the previous month. On a calendar year basis, the District agrees to pay an amount equal to the water rate times 50% of the "reserved water", which is the difference between the maximum annual quantity and the amount of water actually diverted. In addition, the District agrees to pay an amount equal to the rate determined by the Board of Directors of the LCRA, to then be in effect for diversion of water in amounts in excess of the maximum annual quantity (the "Inverted Block Rate"). As of September 30, 2020, the raw water rate was \$145/acre-feet of water, the reserved water rate was \$72.50/acre-feet of water and the Inverted Block Rate was \$217.50/acre-feet of water. During the current fiscal year, the District incurred costs of \$36,364 in relation to this contract with the LCRA.

West Travis County Public Utility Agency

On May 10, 2007, the District entered into a Wholesale Wastewater Service Agreement with the LCRA. The First Amendment to the agreement was approved on January 6, 2009. In addition, on February 16, 2012, the District consented to the assignment of this agreement from the LCRA to the West Travis County Public Utility Agency (the “PUA”). In accordance with the agreement, the PUA agrees to collect, treat and dispose of wastewater originating from the Falconhead West development. The PUA will provide up to a maximum monthly flow rate of 100 gallons per minute and a peak flow rate of 400 gallons per minute. The District has installed flow meters to accurately account for the flow of wastewater to the PUA. The PUA will establish rates, charges and fees for the service provided under the agreement. As of September 30, 2020, the minimum monthly fee being charged to the District was \$17,936. The District is also charged \$5.10 per 1,000 gallons of actual flow through the meters. During the current fiscal year, the District incurred \$383,066 in charges related to this agreement for wastewater delivered to the PUA.

Lakeway Municipal Utility District

On December 23, 2005, the District entered into an Agreement for Wholesale Wastewater Service with Lakeway Municipal Utility District (“Lakeway”). The First Amendment to the agreement was approved on December 17, 2009. In accordance with the agreement, Lakeway commits and agrees to accept and treat up to 600 living unit equivalents (LUEs), as defined in the agreement, of wastewater from development within the District. The purchase price to be paid by the District for each LUE is \$7,300. As of September 30, 2020, the District had purchased 305 LUEs from Lakeway. Lakeway charges a monthly volume charge for wastewater that flows through the meter. As of September 30, 2020, the current volume charge is \$5.79 per 1,000 gallons of flow. During the current fiscal year, the District paid Lakeway \$123,315 for volume charges in relation to actual wastewater flows.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 17
WATER AND SEWER SYSTEM REVENUE BONDS,
SERIES 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$13,425,000**

AS BOND COUNSEL FOR TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 17 (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the resolution of the Board of Directors of the District adopted on July 15, 2021, authorizing the issuance of the Bonds (the "Resolution").

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

BASED ON SAID EXAMINATION, IT IS OUR OPINION that said Bonds have been duly authorized, issued and delivered in accordance with law; and that said Bonds, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principle of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the District, payable together with the Outstanding Bonds and any Additional Bonds, from Net Revenues of the District's System. Such pledge of Net Revenues is subject to the right of a city, under existing Texas law, to annex all of the territory within the District; to take over all properties and assets of the District; to assume all debts, liabilities, and obligations of the District, including the Bonds; and to abolish the District.

THE DISTRICT reserves the right to issue additional bonds which will be payable from the Net Revenues; bonds, notes and other obligations of inferior liens; and bonds payable from other resources including ad valorem taxes, contracts with other persons, including private corporations, municipalities, and political subdivisions as further provided in the Resolution.



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

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

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the District, and, in that capacity, we have been engaged by the District for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or



verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the District, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the District as to the current outstanding indebtedness of and the Net Revenues of the System within the District. Our role in connection with the District's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

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

Respectfully,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES