

OFFICIAL STATEMENT  
Dated September 16, 2021

**Rating:**  
**S&P: “AA” (Stable Outlook)/Insured**  
**Moody’s: “A2” (Stable Outlook)/Insured**  
**Moody’s: “Baa3”/Uninsured**  
**Insurance: AGM**  
**See: “MUNICIPAL BOND**  
**RATING AND INSURANCE”**

**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.

**THE BONDS WILL NOT BE DESIGNATED AS “QUALIFIED TAX-EXEMPT**  
**OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.**



**\$2,515,000**  
**TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 17**  
*(A political subdivision of the State of Texas located within Travis County)*  
**SERENE HILLS DEFINED AREA UNLIMITED TAX BONDS, SERIES 2021A**

The bonds (described below) are special limited obligations of Travis County Water Control and Improvement District No. 17 (the “District”) secured solely by a continuing direct annual ad valorem tax levied on all taxable property in the Serene Hills Defined Area within the District and are not obligations of the State of Texas, Travis County, Texas, the Cities of Austin, Lakeway or Bee Cave, Texas or any entity other than the District.

**Dated Date: October 26, 2021**

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

**Interest Accrues from the Date of Initial Delivery (defined below)**

The \$2,515,000 “Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021A” (the “Bonds”) will be issued in fully registered form in denominations of \$5,000 or any integral multiple thereof. Interest on the Bonds will accrue from the Date of Initial Delivery, as defined below, will be payable on May 1, 2022 and on each November 1 and May 1 thereafter (each an “Interest Payment Date”), until maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The District intends to utilize the book-entry-only system of The Depository Trust Company, New York, New York (“DTC”), but reserves the right on its behalf or on behalf of DTC to discontinue such system. 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., as the nominee of DTC, which will make distribution of the amounts so paid to participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.” The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

Proceeds of the Bonds will be used to finance (i) the Serene Hills Defined Area Phase 4W water, sewer & drainage facilities, effluent reuse line, offsite water & sewer facilities and lift station upgrade, related engineering fees and contingencies; (ii) approximately 12 months’ capitalized interest on the Bonds; and (iii) the costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp.

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**CUSIP PREFIX: 894521**  
**MATURITY SCHEDULE & 9 DIGIT CUSIP**  
**See Inside Cover Page**

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The Bonds, when issued, will constitute valid and legally binding special limited obligations of the District and will be payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the Serene Hills Defined Area within the District. **THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See “INVESTMENT CONSIDERATIONS.”

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. Delivery of the Bonds is expected through the facilities of DTC on October 26, 2021 (the “Date of Initial Delivery”), in Austin, Texas.

## MATURITY SCHEDULE

CUSIP PREFIX: 894521

Maturity (May 1)	Principal Amount	Interest Rate	Initial Yield <sup>(b)</sup>	CUSIP Suffix <sup>(c)</sup>
2023	\$ 75,000	4.000%	0.300%	CL5
2024	80,000	4.000%	0.450%	CM3
2025	80,000	3.000%	0.600%	CN1
2026	80,000	3.000%	0.750%	CP6
2027 <sup>(a)</sup>	85,000	2.000%	0.900%	CQ4 <sup>(d)</sup>

**\$175,000 2.000% Term Bonds due May 1, 2029<sup>(a)</sup> at a Price to Yield 1.200%<sup>(b)(d)</sup> – CS0<sup>(c)</sup>**

**\$185,000 2.000% Term Bonds due May 1, 2031<sup>(a)</sup> at a Price to Yield 1.600%<sup>(b)(d)</sup> – CU5<sup>(c)</sup>**

**\$195,000 2.000% Term Bonds due May 1, 2033<sup>(a)</sup> at a Price to Yield 2.050%<sup>(b)</sup> – CW1<sup>(c)</sup>**

**\$205,000 2.000% Term Bonds due May 1, 2035<sup>(a)</sup> at a Price to Yield 2.250%<sup>(b)</sup> – CY7<sup>(c)</sup>**

**\$215,000 2.125% Term Bonds due May 1, 2037<sup>(a)</sup> at a Price to Yield 2.350%<sup>(b)</sup> – DA8<sup>(c)</sup>**

**\$230,000 2.250% Term Bonds due May 1, 2039<sup>(a)</sup> at a Price to Yield 2.450%<sup>(b)</sup> – DC4<sup>(c)</sup>**

**\$245,000 2.375% Term Bonds due May 1, 2041<sup>(a)</sup> at a Price to Yield 2.500%<sup>(b)</sup> – DE0<sup>(c)</sup>**

**\$665,000 2.375% Term Bonds due May 1, 2046<sup>(a)</sup> at a Price to Yield 2.550%<sup>(b)</sup> – DK6<sup>(c)</sup>**

### (Interest Accrues from the Date of Initial Delivery)

- (a) Bonds maturing on and after May 1, 2027 are subject to redemption prior to maturity, at the option of the District in whole or, from time to time in part in integral multiples of \$5,000, on May 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed, and any sinking fund redemption in the case of term Bonds, shall be selected by the District. See “THE BONDS – Redemption Provisions.” Additionally, Term Bonds maturing on May 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2046 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”
- (b) The initial yields are established by and are the sole responsibility of the Purchaser and may subsequently be changed.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market 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 are responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (d) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on May 1, 2026, the first optional redemption date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

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

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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.

## **MUNICIPAL BOND RATING AND INSURANCE**

The Bonds have been rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") and "A2" by Moody's Investors Service, Inc. ("Moody's") by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. The Bonds have an underlying rating of "Baa3" by Moody's without regard to credit enhancement.

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## OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by more detailed information appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with the more complete information contained herein.

### THE BONDS

*Description* ..... Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021A (the “Bonds”), in the aggregate principal amount of \$2,515,000 maturing as serial Bonds on May 1 in each of the years 2023 through and including 2027 and as Term Bonds maturing on May 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2046 in the principal amounts set forth on the inside cover page hereof, unless certain maturities are bid as Term Bonds in accordance with the Official Notice of Sale. Interest on the Bonds will accrue from the Date of Initial Delivery and will be payable on May 1, 2022 and on each November 1 and May 1 thereafter until maturity or prior redemption. The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 in principal amount of any one maturity. See “THE BONDS – Description.”

*Redemption* ..... Bonds maturing on and after May 1, 2027, are subject to redemption prior to maturity at the option of Travis County Water Control and Improvement District No. 17 (the “District”) in whole or, from time to time in part in integral multiples of \$5,000, on May 1, 2026, or on any date thereafter at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed, and any sinking fund installments in the case of Term Bonds, shall be selected by the District. See “THE BONDS – Redemption Provisions.” Additionally, Term Bonds maturing on May 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2046 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

*Use of Proceeds* ..... Proceeds of the Bonds will be used to finance (i) the Serene Hills Defined Area Phase 4W water, sewer & drainage facilities, effluent reuse line, offsite water & sewer facilities and lift station upgrade, related engineering fees and contingencies; (ii) approximately 12 months’ capitalized interest on the Bonds; and (iii) the costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

*Authority for Issuance* ..... The Bonds are issued pursuant to an order adopted by the Board of Directors of the District authorizing the issuance of the Bonds on September 16, 2021 (the “Bond Order”), an order of the Texas Commission on Environmental Quality dated June 3, 2021, an election held within the District on May 10, 2008, 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.”

*Source and Security for Payment* ..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the Serene Hills Defined Area within the District. The Bonds are not secured by any other source including other taxable improvements located within the District but outside the Serene Hills Defined Area. The Bonds are special limited obligations of the District and are not obligations of the Cities of Austin, Lakeway or Bee Cave, Texas, Travis County, Texas, the State of Texas or any entity other than the District. See “THE BONDS – Source of Payment.”

#### *Municipal Bond Rating and Municipal Bond*

*Insurance* ..... The Bonds have been rated “AA” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A2” by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued by Assured Guaranty Municipal Corp. at the time of delivery of the Bonds. The Bonds have an underlying rating of “Baa3” by Moody’s without regard to credit enhancement.

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

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

*Paying Agent/Registrar* ..... The Bank of New York Mellon Trust Company, N.A., Dallas, Texas.

*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."

## THE DISTRICT

*Description .....* 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. The Serene Hills Defined Area is comprised of approximately 456 acres located entirely within the District. See "THE DISTRICT."

*Location .....* The District is located approximately 20 miles west of the City of Austin in Travis County, Texas. Ranch Road 620 bisects the District. Approximately 456 acres within the District are referred to herein as the "Serene Hills Defined Area." The Serene Hills Defined Area is north of Highway 71, approximately 3.5 miles west of the intersection of Highway 71 and RM 620. All 456 acres within the Serene Hills Defined Area lie wholly within the corporate limits of the City of Lakeway, Texas. All of the acreage within the Serene Hills Defined Area lies within the Lake Travis Independent School District. See "THE SERENE HILLS DEFINED AREA."

### *Serene Hills Defined*

*Area .....* The Serene Hills Defined Area is comprised of approximately 456 acres of the master planned community known as Serene Hills. The Board of Directors of the District adopted a plan in January of 2008, to provide water, wastewater and drainage services to the Serene Hills Defined Area. On May 10, 2008, the voters in the District approved (1) the designation of the Serene Hills Defined Area; (2) \$55,000,000 aggregate principal amount of unlimited tax bonds for water, wastewater and drainage facilities serving the Serene Hills Defined Area; (3) the levy of an unlimited ad valorem tax upon the taxable property located within the Serene Hills Defined Area to pay such bonds; (4) operation and maintenance tax for the Serene Hills Defined Area not to exceed \$0.6500 per \$100 valuation on all taxable property within such defined area; and (5) \$100,000,000 aggregate principal amount of refunding bonds. The Bonds are secured solely by an unlimited ad valorem tax levied upon all taxable property located within the Serene Hills Defined Area. Such tax will be levied in addition to the taxes levied by the District on all taxable property in the District. See "THE SERENE HILLS DEFINED AREA," and "SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS – Estimated Overlapping Taxes."

### *Development Within the Serene Hills Defined*

*Area .....* As of June 1, 2021, all developable acreage within the Serene Hills Defined Area has been developed with water, wastewater and drainage facilities including such facilities to serve 294 single-family lots and 1 park within the Serene Hills Defined Area, including sections 2E, 2W, 3E, 3WA, 3WB and 4W. Lots in the development are 100% sold out. Home prices in the District range from \$975,000 to \$3,000,000 in value.

Water, wastewater and drainage facilities have also been completed for 350 multi-family units on approximately 34 acres and a 25,000 square foot medical and office building on approximately 2 acres. Chase Bank has completed construction on an approximate 3,500 square foot facility on approximately 1.28 acres and commercial office space and retail pads are planned on the approximately 7 remaining acres zoned for commercial and retail.

In addition, the Serene Hills Defined Area has a 9.2 acre tract that has been platted for senior housing, independent living, which is currently under construction. See "THE SERENE HILLS DEFINED AREA SYSTEM."

### *Homebuilders Within the Serene Hills Defined*

*Area .....* Custom home builders in Serene Hills include Eppright Homes, Seven Homes, Matt Sitra Custom Homes, Masters Touch Custom Homes, Ron McGuire Custom Homes, Legacy DCS, DeVille Custom Homes and Drees Custom Homes. DeVille Custom Homes is new to the development. The custom home prices range from \$975,000 to \$3,000,000.

Semi-custom home builders in Serene Hills are Ash Creek Homes, Sitterle Homes, Village Builders and Partners in Building. Their home prices range from \$650,000 to \$1,200,000.

*The Developer*..... Land in the Serene Hills Defined Area is being developed as the master planned community known as Serene Hills by Serene Hills, Ltd., a Texas Limited Partnership (the “Developer”). The general partner of the Developer is ES-DH Serene, LLC, a Delaware limited liability company formed specifically for the purpose of purchasing and developing Serene Hills. See “THE DEVELOPER.”

*Payment Record*..... The District has previously issued \$4,450,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2015, \$4,125,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2017, \$7,000,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2017A, \$5,000,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2018, \$4,500,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2019 and \$6,830,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021. The District has never defaulted on the payment of its outstanding bonds.

*Overlapping District*

*Taxes*..... The Serene Hills Defined Area lies wholly within the boundaries of the District and is subject to ad valorem taxes levied by the District for District-wide maintenance and operation purposes and to pay debt incurred by the District to serve other areas of the District, if any. For the 2020 tax year, the District levied a total tax rate of \$0.0599 per \$100 of assessed valuation on all taxable property located within the District for maintenance and operation purposes and a debt service tax rate of \$0.6250 per \$100 of assessed valuation on all taxable property located within the Serene Hills Defined Area. The District is expected to levy taxes for the 2021 tax year for the Serene Hills Defined Area in September 2021. The District currently has no outstanding tax-supported debt for District-wide purposes and, consequently, levies no District-wide ad valorem tax for debt service. See “SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS – Estimated Overlapping Taxes.”

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**SELECTED FINANCIAL INFORMATION (UNAUDITED)**

2017 Certified Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value) .....	\$ 150,958,961 <sup>(a)</sup>
2018 Certified Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value) .....	\$ 199,085,045 <sup>(a)</sup>
2019 Certified Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value) .....	\$ 239,223,126 <sup>(a)</sup>
2020 Certified Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value) .....	\$ 278,794,555 <sup>(a)</sup>
2021 Certified Estimated Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value) .....	\$ 329,750,030 <sup>(a)</sup>
Gross Direct Long-Term Debt Outstanding of the Serene Hills Defined Area .....	\$ 33,235,000 <sup>(b)</sup>
Estimated Overlapping Debt of the Serene Hills Defined Area .....	<u>8,690,580 <sup>(c)</sup></u>
Gross Direct Long-Term Debt and Estimated Overlapping Debt .....	\$ 41,925,582
Ratio of Gross Direct Long-Term Debt Outstanding of the Serene Hills Defined Area to:	
2021 Certified Estimated Taxable Assessed Valuation of the Serene Hills Defined Area .....	10.08%
Ratio of Gross Long-Term Debt of the Serene Hills Defined Area and Estimated Overlapping Debt to:	
2021 Certified Estimated Taxable Assessed Valuation of the Serene Hills Defined Area .....	12.71%
Average Annual Debt Service Requirement (2022-2046) .....	\$ 1,874,847 <sup>(b)</sup>
Maximum Annual Debt Service Requirement (2041) .....	\$ 2,112,338 <sup>(b)</sup>
2021 District-Wide Maintenance Tax Rate .....	\$ 0.0568 <sup>(d)</sup>
2021 Serene Hills Defined Area Total Tax Rate .....	<u>0.6250</u>
Total .....	\$ 0.6818
Tax Rate Required to Pay Average Annual Debt Service (2022-2046) at 98% Collection Rate	
Based Upon the 2021 Certified Estimated Taxable Assessed Valuation of the Serene Hills Defined Area. \$	0.5802 <sup>(b)</sup>
Tax Rate Required to Pay Maximum Annual Debt Service (2041) at 98% Collection Rate	
Based Upon the 2021 Certified Estimated Taxable Assessed Valuation of the Serene Hills Defined Area. \$	0.6537 <sup>(b)</sup>
Status of Development within Serene Hills Defined Area as of June 1, 2021:	
Total Completed Homes .....	237
Completed Multi-Family Units .....	350
Homes Under Construction .....	25
Vacant Developed Lots .....	32
Undeveloped Acreage (developable) .....	0
Estimated Population .....	2,054 <sup>(e)</sup>

- (a) As certified by the Travis Central Appraisal District (“Appraisal District”). See “TAX PROCEDURES.”
- (b) Projected; includes the Bonds. See “SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS.”
- (c) The Serene Hills Defined Area is located wholly within the District and is subject to the levy of (i) taxes by the District to serve areas outside the Serene Hills Defined Area, (ii) taxes to serve the Serene Hills Defined Area, and (iii) taxes levied by other taxing entities. See “SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt.”
- (d) The District is currently authorized to levy a District-wide maintenance and operation tax up to \$0.0599 per \$100 valuation.
- (e) Based upon 3.5 residents per completed single-family residence and multi-family unit.

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## OFFICIAL STATEMENT

**\$2,515,000**  
**TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 17**  
*(A political subdivision of the State of Texas located within Travis County)*  
**SERENE HILLS DEFINED AREA**  
**UNLIMITED TAX BONDS, SERIES 2021A**

This Official Statement provides certain information in connection with the issuance by Travis County Water Control and Improvement District No. 17 (the "District") of its \$2,515,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021A (the "Bonds"). The Bonds are issued pursuant to Article 16, Section 59 of the Texas Constitution, the general laws of the State of Texas ("Texas" or the "State"), including Chapters 49 and 51, Texas Water Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District (the "Board") and an order of the Texas Commission on Environmental Quality ("TCEQ"), formerly the Texas Natural Resources Conservation Commission ("TNRCC").

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District and the Developer as defined herein. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc. (the "Financial Advisor") at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746 upon payment of reasonable copying expenses.

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.

### THE BONDS

**DESCRIPTION** . . . The Bonds are in the aggregate principal amount of \$2,515,000 maturing as serial Bonds on May 1 in each of the years 2023 through and including 2027 and as Term Bonds maturing on May 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 and 2046 in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds will be dated October 26, 2021 and interest will accrue from the Date of Initial Delivery, which will be made on or about October 26, 2021, and will be payable on May 1, 2022 and on each November 1 and May 1 thereafter until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued pursuant to the Bond Order, in fully registered form only, in denominations of \$5,000 principal amount or any integral multiple thereof 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. **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 "-- Book-Entry-Only System" below.

**PURPOSE** . . . Proceeds of the Bonds will be used to finance (i) the Serene Hills Defined Area Phase 4W water, sewer & drainage facilities, effluent reuse line, offsite water & sewer facilities and lift station upgrade, related engineering fees and contingencies; (ii) approximately 12 months' capitalized interest on the Bonds; and (iii) the costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS."

**DEFEASANCE** . . . General. The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of ad valorem taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Order, 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 ad valorem taxes levied and pledged as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and 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 Order. 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 Order 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 Order 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 Order.

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 Order 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 order 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 Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the 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 as outstanding or unpaid.

**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](http://www.dtcc.com).

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

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

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

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

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

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

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

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

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

The Bonds are special limited obligations of the District secured solely by an annual ad valorem tax levied on property located within the Serene Hills Defined Area within the District (and no other portion of the District) and are not obligations of the State of Texas; Travis County, Texas; the Cities of Austin, Lakeway, or Bee Cave, Texas; or any entity other than the District as described herein.

**REDEMPTION PROVISIONS . . . OPTIONAL REDEMPTION.** Bonds maturing on and after May 1, 2027 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, in integral multiples of \$5,000 on May 1, 2026, or any date thereafter, at a price of par value plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of such Bonds are redeemed at any time, the maturities, or sinking fund installments in the case of Term Bonds, of such Bonds to be redeemed shall be selected by the District. 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 portion thereof, within such maturity, or sinking fund redemption, to be redeemed.

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

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

**MANDATORY SINKING FUND REDEMPTION.** The Bonds maturing on May 1 in the years 2029, 2031, 2033, 2035, 2037, 2039, 2041 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:

<u>Term Bonds Due May 1, 2029</u>		<u>Term Bonds Due May 1, 2031</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2028	\$ 85,000	May 1, 2030	\$ 90,000
May 1, 2029*	90,000	May 1, 2031*	95,000

<u>Term Bonds Due May 1, 2033</u>		<u>Term Bonds Due May 1, 2035</u>	
<u>Redemption Date</u>	<u>Principal Amount</u>	<u>Redemption Date</u>	<u>Principal Amount</u>
May 1, 2032	\$ 95,000	May 1, 2034	\$ 100,000
May 1, 2033*	100,000	May 1, 2035*	105,000

\*Stated Maturity.

Term Bonds Due May 1, 2037		Term Bonds Due May 1, 2039	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
May 1, 2036	\$ 105,000	May 1, 2038	\$ 115,000
May 1, 2037*	110,000	May 1, 2039*	115,000

Term Bonds Due May 1, 2041		Term Bonds Due May 1, 2046	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
May 1, 2040	\$ 120,000	May 1, 2042	\$ 125,000
May 1, 2041*	125,000	May 1, 2043	130,000
		May 1, 2044	135,000
		May 1, 2045	135,000
		May 1, 2046*	140,000

\*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.

**DTC REDEMPTION PROVISIONS . . .** The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant 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. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

**AUTHORITY FOR ISSUANCE . . .** The Bonds are issued pursuant to the Bond Order, 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, and the election held within the District on May 10, 2008 (the "Election").

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

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

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

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the fifteen (15) day period next preceding any interest payment date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

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

**RECORD DATE . . .** The record date for payment of the interest on the Bonds on any regularly scheduled interest payment date is the fifteenth (15) day of the month (whether or not a business day) preceding such interest payment date.

**REPLACEMENT OF PAYING AGENT/REGISTRAR . . .** The Bank of New York Mellon Trust Company, N.A., Dallas, Texas is the initial Paying Agent/Registrar. Provisions are made in the Bond Order for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Paying Agent/Registrar selected by the District shall be a national or state banking institution, which shall be a corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

**LOST, STOLEN OR DESTROYED BONDS . . .** Upon the presentation and surrender to the Designated Payment/Transfer Office of the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation and an indemnity bond from the Registered Owner, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

Registered Owners of lost, stolen or destroyed bonds will be required to pay the District's costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

**ISSUANCE OF ADDITIONAL DEBT . . .** The voters within the District and the Serene Hills Defined Area have authorized the issuance of \$55,000,000 of unlimited tax bonds for water, wastewater and drainage facilities to serve the Serene Hills Defined Area pursuant to elections conducted within the District and within the Serene Hills Defined Area. After issuance of the Bonds, the District will have \$20,580,000 of unlimited tax bonds authorized but unissued for new money water, wastewater and drainage projects for the Serene Hills Defined Area. Additionally, voters within the District and the Serene Hills Defined Area also approved the issuance of up to \$100,000,000 aggregate principal amount of unlimited tax refunding bonds for the Serene Hills Defined Area.

In addition to the authorized but unissued unlimited tax bonds for the Serene Hills Defined Area, the District may issue bonds necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from ad valorem taxes, the District's voters. In addition, voters may authorize the issuance of additional bonds or certain contractual obligations secured by ad valorem taxes. The District also has the right to issue revenue bonds, revenue notes, special project bonds, bond anticipation notes and tax anticipation notes without the necessity of voter approval. The District further has authority under Texas law to issue refunding bonds to refund any of its outstanding obligations. Neither Texas law nor the Bond Order can impose a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security for the Bonds.

**ANNEXATION . . .** The District lies within the extraterritorial jurisdiction and some limited purpose areas of the City of Austin, Texas, the extraterritorial jurisdiction or corporate limits of the City of Lakeway, Texas, and the extraterritorial jurisdiction or corporate limits of the City of Bee Cave, Texas, with all of the Serene Hills Defined Area lying within the city 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; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. 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, Texas will, in the future, 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, Texas 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.

Additionally, pursuant to Section 51.534, Texas Water Code, as amended, the District is authorized to annex additional land into a defined area such as Serene Hills Defined Area.

**REMEDIES IN EVENT OF DEFAULT . . .** The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, subject to the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court rules in *Wasson Interest, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W. 3d 142 (Tex. 2018) ("*Wasson II*"), and together with *Wasson I*, "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the

enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors. See “INVESTMENT CONSIDERATIONS – Registered Owners’ Remedies” and “– Bankruptcy Limitation to Registered Owners’ Rights.”

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

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

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

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

**AMENDMENTS TO BOND ORDER . . .** The District may without the consent of or notice to any Registered Owner amend the Bond Order in any manner not detrimental to the interest of the Registered Owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (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.

## **BOND INSURANCE**

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

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

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

AGM’s financial strength is rated “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”), “AA+” (stable outlook) by Kroll Bond Rating Agency, Inc. (“KBRA”) and “A2” (stable outlook) by



Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings:* On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On October 29, 2020, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2020.

*Capitalization of AGM:* At June 30, 2021:

- The policyholders' surplus of AGM was approximately \$2,943 million.
- The contingency reserve of AGM was approximately \$947 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,137 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

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

*Merger of Municipal Assurance Corp. ("MAC") into AGM:* On April 1, 2021, MAC was merged into AGM, with AGM as the surviving company. Prior to that merger transaction, MAC was an indirect subsidiary of AGM (which indirectly owned 60.7% of MAC) and AGM's affiliate, Assured Guaranty Corp., a Maryland-domiciled insurance company ("AGC") (which indirectly owned 39.3% of MAC). In connection with the merger transaction, AGM and AGC each reassumed the remaining outstanding par they ceded to MAC in 2013, and AGC sold its indirect share of MAC to AGM. All of MAC's direct insured par exposures have become insured obligations of AGM.

*Incorporation of Certain Documents by Reference:* Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at

<http://www.sec.gov>, at AGL's website at <http://www.assuredguaranty.com>, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

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

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

### **BOND INSURANCE RISK FACTORS**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made only in such amounts and at such times as such payments would have been due. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by AGM at such time and in such amounts as would have been due absence such prepayment by the District unless AGM chooses to pay such amounts at an earlier date.

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

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

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

The obligations of AGM are general obligations of AGM and in an event of default by AGM, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

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## THE SERENE HILLS DEFINED AREA

**DESCRIPTION . . .** The Serene Hills Defined Area encompasses approximately 456 acres within the master planned community known as Serene Hills, now being developed by Serene Hills, Ltd. (the “Developer”). The Serene Hills Defined Area is north of Highway 71, approximately 3.5 miles west of the intersection of Highway 71 and RM 620. All 456 acres within the Serene Hills Defined Area lie wholly within the corporate limits of the City of Lakeway, Texas. The majority of this acreage is located within canyon and other natural drainage areas. Development within the Serene Hills Defined area consists of 294 single-family residential homes in addition to multi-family residential development, and commercial, office and retail uses.

As of June 1, 2021, all developable acreage within the Serene Hills Defined area has been developed with water, wastewater and drainage facilities to serve 294 single-family lots and 1 park within the Serene Hills Defined Area, including sections 2E, 2W, 3E, 3WA, 3WB and 4W. Lots in the development are 100% sold out. Home prices in the District range from \$975,000 to \$3,000,000 in value.

Water, wastewater and drainage facilities have also been completed for 350 multi-family units on approximately 34 acres and a 25,000 square foot medical and office building on approximately 2 acres. Chase Bank has completed construction on an approximate 3,500 square foot facility on approximately 1.28 acres and commercial office space and retail pads are planned on the approximately 7 remaining acres zoned for commercial and retail.

In addition, the Serene Hills Defined Area has a 9.2 acre tract that has been platted for senior housing, independent living. The senior living project is currently under construction.

## 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</u> <u>BY DISTRICT</u>
<b>I. CONSTRUCTION COSTS</b>	
A. Developer Contribution Items:	
1. Serene Hills, Phase 4W – Water, Wastewater and Drainage.....	\$ 385,721
2. Serene Hills Effluent Reuse Line .....	160,370
3. Serene Hills Offsite Water and Wastewater .....	853,289
4. Engineering (Items 1 and 3 and Additional Expenses).....	222,980
5. Construction Management (Items 4 and 5) .....	156,000
6. Legal Construction Costs .....	<u>16,752</u>
<b>Total Developer Contribution Items.....</b>	<b>\$ 1,795,112</b>
B. District Items:	
1. Serene Hills Lift Station Upgrade .....	\$ 185,693
2. Engineering (Item No. 1) .....	<u>39,248</u>
<b>Total District Contribution Items.....</b>	<b>\$ 224,941</b>
<b>TOTAL CONSTRUCTION COSTS (80.32% of BIR) .....</b>	<b>\$ 2,020,053</b>
<b>II. NON-CONSTRUCTION COSTS</b>	
A. Legal Fees (1.00%) .....	\$ 25,150
B. Fiscal Agent Fees (1.25%) .....	31,438
C. Interest:	
1. Capitalized Interest (12 months at 2.48%) .....	62,483
2. Developer Interest .....	180,366
D. Bond Discount (2.94%).....	73,893
E. Bond Issuance Expenses .....	31,427
F. Bond Application Report Costs.....	48,000
G. Attorney General Fees (0.10%).....	2,515
H. TCEQ Fee (0.25% of BIR).....	6,288
I. Contingency <sup>(a)</sup> .....	<u>33,387</u>
<b>Total Non-Construction Costs.....</b>	<b>\$ 494,947</b>
<b>TOTAL BOND ISSUE REQUIREMENT .....</b>	<b>\$ 2,515,000</b>

(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.

## 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, as amended.

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.

**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 November of each even numbered year. The current members and officers of the Board, along with their occupations, are listed below:

<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
Pedro Martinez	Secretary	Retired ExxonMobil Executive	2024
Kenneth M. Smith	Assistant Secretary	Retired Hospitality Consultant	2022
Elicia G. Michaud	Director	Real Estate Broker	2022

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

The District offers a 401(a) deferred compensation plan to all non-temporary employees. The investment plan is administered by an outside financial agency, and accordingly the plan’s assets and liabilities are not recorded in the District’s basic financial statements.

**CONSULTANTS** . . . The District has contracted for auditing, tax assessing and collecting, engineering, financial advisory and legal services as follows:

Tax Appraisal. The Travis Central Appraisal District (“Appraisal District”) has the responsibility of appraising all property within the District.

Auditor. The firm of Maxwell Locke & Ritter LLP is currently the District’s independent auditor. Such firm was hired to audit the financial statements for the fiscal year ending September 30, 2020 which audit is attached. See “APPENDIX A – Financial Statement of the District for the Year Ended September 30, 2020.”

Tax Assessor/Collector. The District has engaged the Travis County Tax Assessor and Collector (the “Tax Collector”), to collect its ad valorem taxes. The District also has contracted with the Tax Collector to collect the special tax to be levied against property located within the Serene Hills Defined Area.

Engineer. The District’s consulting engineer is Green Civil Design, LLC (“Engineer”). Jones-Heroy Engineering has been engaged to advise on bond and regulatory issues.

Financial Advisor. The District has engaged Specialized Public Finance Inc. as financial advisor (“Financial Advisor”). The fees for services rendered in connection with the issuance of the Bonds are based on the percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

General Counsel. General Counsel to the District is Lloyd Gosselink Rochelle and Townsend, P.C., Attorneys at Law.

*Bond Counsel.* The District has engaged McCall, Parkhurst & Horton L.L.P. as bond counsel. The fees for services rendered in connection with the issuance of the Bonds are based on the percentage of the Bonds actually issued, sold and delivered and therefore such fee is contingent upon the sale and delivery of the Bonds.

**DISTRICT 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 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 and the District currently serves between 18,000 and 19,000 LUEs). The remaining capacity in the water supply facilities are available to all potential customers within the District, including those within the Serene Hills Defined Area, on a first come first served basis. See "THE SERENE HILLS DEFINED AREA SYSTEM."

As growth occurs in and around the District, and upon the request of landowners and voters within the District, the District may designate additional defined areas to provide water, wastewater and drainage to growth areas.

For more information about the Serene Hills Defined Area system, see "THE SERENE HILLS DEFINED AREA SYSTEM."

**STEINER RANCH DEFINED AREA . . .** On May 7, 1988, the District created the Steiner Ranch Defined Area. The Steiner Ranch Defined Area is comprised of approximately 4,075 acres of the master planned community known as Steiner Ranch. Steiner Ranch consists of approximately 4,650 acres of land, including approximately 325 acres which have been annexed into the City of Austin for limited purposes. The voters within the District and the Steiner Ranch Defined Area have authorized the issuance of \$118,500,000 of Unlimited Tax Bonds for new money water and wastewater purposes to serve the Steiner Ranch Defined Area pursuant to elections conducted within the District and within the Steiner Ranch Defined Area. All such voted authorization has been issued and, as of August 1, 2021, \$49,304,998 in Steiner Ranch Defined Area bonds remained outstanding. All water, wastewater and drainage facilities have been completed to serve the Steiner Ranch Defined Area and no additional development is currently anticipated by the District.

**COMANCHE TRAIL DEFINED AREA . . .** On July 22, 1993, the District created the Comanche Trail Defined Area encompassing approximately 645 acres. The District has issued a single issue \$1,090,000 Travis County Water Control and Improvement District No. 17 Comanche Trail Defined Area Unlimited Tax Bond, Series 1995 to provide water service to the Comanche Trail Defined Area within the District. The Comanche Trail Defined Area has no remaining voted bond authority, but could elect to vote additional authority at some future date. As of August 1, 2021, all Comanche Trail Defined Area bonds have been retired.

**FLINTROCK RANCH ESTATES DEFINED AREA . . .** In May of 2000, the District created the Flintrock Ranch Estates Defined Area. The development encompasses 380 acres, and is a golf course/residential community consisting primarily of single-family estate homes. At full build-out, this project will be comprised of approximately 405 single-family homes, including approximately 66 single-family villa homesites. At present, there are approximately 220 occupied single-family homes and villas with streets and utilities completed which could accommodate 160 additional homes. The main developer is HPK Ventures, Ltd. and the lot developer is Flintrock Ltd. (Five Star Development Company). The golf course developer is Clubcorp of America. Flintrock residents will have both water and wastewater service provided by the District. \$24,200,000 in bonds have been authorized by voters for this project, of which \$21,635,000 has been issued, and of which \$16,835,000 remained outstanding as of August 1, 2021 (including the Series 2021 issue). The District has \$2,565,000 of authorized but unissued bonds for such defined area (after closing of the Series 2021 issue)

**SERVICE TO AREA OUTSIDE THE DISTRICT . . .** In December of 1997, the District purchased the Apache Shores Utility Company and took over the certificate of convenience and necessity to provide service to the 570 existing customers in the Apache Shores subdivision which is located outside the boundaries of the District. The Apache Shores ground water system was highly substandard, thus the water quality did not meet TCEQ requirements, and the quantity was insufficient to serve the number of customers. In April 1998, the District made the first connection of the District surface water system to Apache Shores and by September 1998, the system was fully connected. The initial Apache Shores improvements were funded by contract revenue bonds in the aggregate principal amount of \$2,100,000 issued by the District and purchased by the Texas Water Development Board, of which \$750,000 remained outstanding as of August 1, 2021. The Apache Shores system has now been brought up to TCEQ standards and has in excess of 1,100 accounts.

The Apache Shores Subdivision is operated as a separate certificated area, and is not within the boundaries of the District.

The District owns and operates the River Ridge Water System located in Travis County, Texas adjacent to, but outside of, the District's boundaries and service area. Prior to the District's acquisition, the River Ridge Water System was a privately-owned system consisting of approximately 180 connections placed under receivership by the TCEQ. The District executed a purchase contract with the receiver transferring ownership of the system to the District upon approval by the TCEQ. The District filed a Sales, Transfer, and Merger Application requesting approval of transfer of the system to the District with the TCEQ which closed December 12, 2002, and the District now owns and operates this system. The District has issued revenue bonds in the aggregate principal amount of \$1,100,000 which were purchased by the Texas Water Development Board to make needed improvements to the River Ridge Water System. As of August 1, 2021, \$575,000 remained outstanding on this bond issue. These improvements were completed in November 2005.

#### **THE DEVELOPER**

**GENERAL . . .** Land in the Serene Hills Defined Area is being developed as the master planned community known as Serene Hills by Serene Hills, Ltd., a Texas Limited Partnership. The general partner of the Texas Limited Partnership is ES-DH Serene, LLC, a Delaware limited liability company formed specifically for the purpose of purchasing and developing Serene Hills.

Acquisition and development of single-family residential property within Serene Hills has been provided by capital contributions made to the Developer. Currently there are no loans existing on the property, or project. Capital contributions of approximately \$26,000,000 were utilized for the purchase and development funding for the project.

According to representatives of the Developer, it financed the development within the Serene Hills Defined Area from capital contributions from its partners.

#### **THE HOMEBUILDERS**

**ACTIVE BUILDERS . . .** Custom home builders in Serene Hills include Eppright Homes, Seven Homes, Matt Sitra Custom Homes, Masters Touch Custom Homes, Ron McGuire Custom Homes, Legacy DCS, DeVille Custom Homes and Drees Custom Homes. DeVille Custom Homes is new to the development. The custom home prices range from \$975,000 to \$3,000,000.

Semi-custom home builders in Serene Hills are Ash Creek Homes, Sitterle Homes, Village Builders and Partners in Building. Their home prices range from \$650,000 to \$1,200,000.

As of June 1, 2021, the Serene Hills Defined Area has:

Completed Homes:	237
Homes Under Construction:	25
Vacant Developed Lots:	32

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## THE SERENE HILLS DEFINED AREA SYSTEM

**REGULATION . . .** According to the District’s consulting engineer, the District’s water production and distribution system, sanitary sewer collection and treatment and storm water system serving the Serene Hills Defined Area (“System”) have been designed in accordance with the criteria of various regulatory agencies including Travis County, Texas, the City of Lakeway, Texas, the City of Austin, Texas, 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.

**WATER SUPPLY . . .** The District obtains water from Lake Travis pursuant to a contract dated May 23, 2001 with the Lower Colorado River Authority (“LCRA”). The contract, which expires on May 23, 2051, authorizes withdrawal of up to 8,800 acre-feet per year, or an average of 7.85 million gallons per day (“MGD”). The District’s existing water treatment facilities are sufficient to serve approximately 19,640 LUEs and the District in 2020 served approximately 12,404 connections. The remaining capacity in the water supply facilities are available to all potential customers within the District, including those within the Serene Hills Defined Area, on a first come first served basis.

Water transmission lines have been completed to deliver treated water from the District’s existing facilities to the existing lots within the Serene Hills Defined Area.

In 2012, the District issued its \$23,915,000 Water and Sewer System Revenue Bonds, Series 2012, for the purpose of constructing a new water treatment plant. Construction began on the new Mansfield Water Treatment Plant in January 2014 and was completed in early 2016 with a treatment capacity of 6.0 MGD. The Eck Lane Water Treatment Plant has a treatment capacity of 16.0 MGD, giving the District a total treatment capacity to 22.0 MGD.

**WASTEWATER TREATMENT . . .** 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. On August 24, 2021, the District expects to close on \$13,425,000 in revenue bonds in order to expand wastewater treatment capacity in the Serene Hills Wastewater Treatment Plant.

Sanitary sewer lines have been completed to serve the developed lots within Serene Hills Defined Area.

**STORM DRAINAGE . . .** Storm sewers have been constructed to serve all of the developed lots. In addition, outfall drainage structures and retention facilities have been constructed to serve such property.

According to the Engineer, none of the land proposed for development within the Serene Hills Defined Area, excepting drainage structures, lies within the 100-year flood plain, according to current flood insurance rate maps.

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

**EXEMPTIONS . . .** The District has adopted a residential homestead exemption of 10% of the assessed value or \$5,000 whichever is greater and an exemption for persons 65 years or older or disabled persons of \$10,300. The Serene Hills Defined Area has not adopted any additional or separate exemptions.

Portions of the land owned by the Developer are undeveloped and are valued for ad valorem tax purposes on the basis of their agricultural productivity (qualified open-space land), which would be a small fraction of their fair market value.

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## INVESTMENTS

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT** . . . Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (“FDIC”) or by explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than “A” or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the “PFIA”) (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers’ acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations described in this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than “AAA,” “AAA-m” or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the District may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the District, held in the District’s name and deposited at the time the investment is made with the District or a third party designated by the District; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired



with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

**ADDITIONAL PROVISIONS . . .** Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District’s investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District’s investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

**CURRENT INVESTMENTS . . .** 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 March 31, 2021 the District’s funds were invested in the following:

Account	Amount	Percent
Compass Bank	\$ 3,373,002	4.86%
TexSTAR	38,525,096	55.55%
NexBank	10,157,972	14.65%
CDs/Securities	17,290,807	24.94%
	\$ 69,346,877	100.00%

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**SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Serene Hills Defined Area Bonds <sup>(a)</sup>			The Bonds <sup>(b)</sup>			Total Serene Hills Defined Area Debt Service Requirements
	Principal	Interest	Total	Principal	Principal	Total	
	2022	\$ 680,000	\$ 908,093	\$ 1,588,093	\$ -	\$ 30,451	
2023	910,000	934,773	1,844,773	75,000	59,256	134,256	1,979,029
2024	945,000	899,051	1,844,051	80,000	56,256	136,256	1,980,308
2025	975,000	863,709	1,838,709	80,000	53,056	133,056	1,971,765
2026	1,005,000	830,264	1,835,264	80,000	50,656	130,656	1,965,920
2027	1,045,000	797,448	1,842,448	85,000	48,256	133,256	1,975,704
2028	1,080,000	769,280	1,849,280	85,000	46,556	131,556	1,980,836
2029	1,120,000	739,358	1,859,358	90,000	44,856	134,856	1,994,214
2030	1,165,000	707,280	1,872,280	90,000	43,056	133,056	2,005,336
2031	1,205,000	672,715	1,877,715	95,000	41,256	136,256	2,013,971
2032	1,255,000	635,934	1,890,934	95,000	39,356	134,356	2,025,291
2033	1,300,000	597,069	1,897,069	100,000	37,456	137,456	2,034,525
2034	1,350,000	556,425	1,906,425	100,000	35,456	135,456	2,041,881
2035	1,400,000	513,834	1,913,834	105,000	33,456	138,456	2,052,291
2036	1,455,000	469,313	1,924,313	105,000	31,356	136,356	2,060,669
2037	1,515,000	422,390	1,937,390	110,000	29,125	139,125	2,076,515
2038	1,570,000	373,041	1,943,041	115,000	26,788	141,788	2,084,828
2039	1,630,000	321,132	1,951,132	115,000	24,200	139,200	2,090,332
2040	1,690,000	266,466	1,956,466	120,000	21,613	141,613	2,098,078
2041	1,760,000	208,575	1,968,575	125,000	18,763	143,763	2,112,338
2042	1,640,000	151,925	1,791,925	125,000	15,794	140,794	1,932,719
2043	1,685,000	97,500	1,782,500	130,000	12,825	142,825	1,925,325
2044	1,265,000	50,494	1,315,494	135,000	9,738	144,738	1,460,231
2045	685,000	21,900	706,900	135,000	6,531	141,531	848,431
2046	390,000	8,775	398,775	140,000	3,325	143,325	542,100
	<u>\$ 30,720,000</u>	<u>\$ 12,816,742</u>	<u>\$ 43,536,742</u>	<u>\$ 2,515,000</u>	<u>\$ 819,439</u>	<u>\$ 3,334,439</u>	<u>\$ 46,871,181</u>

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

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

**TAX RATE CALCULATIONS . . .** The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Assessed Valuation which would be required to meet the debt service requirements on the Bonds and the Outstanding Serene Hills Defined Area Bonds if no growth in the District’s tax base within the Serene Hills Defined Area occurs beyond the 2021 Certified Estimated Assessed Valuation. The calculations assume collection of 98% of taxes levied.

Average Annual Debt Service Requirements (2022-2046) .....	\$ 1,874,847
Tax Rate of \$0.5802 on the 2021 Certified Estimated Assessed Valuation produces (98% collections) .....	\$ 1,874,945
Maximum Annual Debt Service Requirements (2041) .....	\$ 2,112,338
Tax Rate of \$0.6537 on the 2021 Certified Estimated Assessed Valuation produces (98% collections) .....	\$ 2,112,464

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

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Estimated Overlapping Percent</u>	<u>Overlapping Amount</u>
Travis County	\$ 1,054,720,000	7-31-21	0.11%	\$ 1,160,192
Lake Travis ISD	350,735,000	7-31-21	1.75%	6,137,863
Travis County ESD #6	2,075,000	7-31-21	1.63%	33,823
City of Lakeway	29,075,000	7-31-21	4.65%	1,351,988
Travis County Health Care District	6,105,000	7-31-21	0.11%	6,716
Serene Hills Defined Area <sup>(a)</sup>	33,235,000	7-31-21	100.00%	33,235,000
Total Direct and Estimated Overlapping Debt .....				\$ 41,925,582
Net Direct Debt as a Percentage of:				
2021 Certified Estimated Taxable Assessed Value of \$329,750,030 .....				10.08%
Net Direct Long-Term and Estimated Overlapping Debt as a Percentage of:				
2021 Certified Estimated Taxable Assessed Value of \$329,750,030 .....				12.71%

(a) Secured solely by ad valorem taxes levied on taxable property located in the Serene Hills Defined Area; includes the Bonds.

**ESTIMATED OVERLAPPING TAXES** . . . Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, if ad valorem taxes levied by a taxing authority become delinquent, a lien is created upon the property which has been taxed. A tax lien on property in favor of the District is on a parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is an estimation of all taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. All the land located within the Serene Hills Defined Area lies within the District. The following chart includes the 2020 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>TAXING JURISDICTION</u>	<u>2020 TAX RATES</u>
The District <sup>(a)</sup>	\$ 0.6849
Travis County	0.3740
Lake Travis ISD	1.3240
City of Lakeway	0.1650
Travis County Healthcare District	0.1100
Emergency Services District #6	0.1000
Estimated Tax Bill	\$ 2.8166

(a) Total tax rate levied by the District on property located in the Serene Hills Defined Area.

**TAX DATA**

**GENERAL . . .** All taxable property within the Serene Hills Defined Area is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax levied, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. The District has in its Bond Order covenanted to assess and levy, for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The District levied a maintenance and operation tax on the Serene Hills Defined Area Bonds for 2020 at a rate of \$0.6250 per \$100 assessed valuation, plus the District-wide tax maintenance tax rate of \$0.0599.

**DISTRICT TAXES . . .** *Serene Hills Defined Area Debt Service Tax:* The District covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax on all property in the Serene Hills Defined Area adequate to provide funds to pay the principal of and interest on the Bonds. For 2020, the District levied debt service tax of \$0.5500 on Serene Hills Defined Area property.

*Maintenance Tax:* The voters within the Serene Hills Defined Area and the District approved the levy of a maintenance tax not to exceed \$0.6500 in the Serene Hills Defined Area. On September 14, 2002, the voters within the District approved the levy of a District-wide maintenance tax in an amount not to exceed \$0.0600 per \$100 valuation. For 2020, the District levied a District-wide \$0.0599 maintenance tax and a Serene Hills Defined Area maintenance tax of \$0.0750.

**PRINCIPAL TAXPAYERS . . .** The following table represents the principal taxpayers within the Serene Hills Defined Area, the taxable assessed value of such property, and such property’s assessed value as a percentage of the District’s 2021 Certified Estimated Taxable Assessed Valuation of \$329,750,030.

Name of Taxpayer	2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
BMEF Lakeway, LLC <sup>(a)</sup>	\$ 73,318,608	22.23%
Serene Hills Commons LP <sup>(b)</sup>	7,239,000	2.20%
HEB Grocery Company LP	2,500,000	0.76%
KIW Lakeway Venture LLC	2,323,135	0.70%
Ellisor, Gabriel L.	2,107,835	0.64%
Krisel, Jeffrey P.	1,928,800	0.58%
Moreland, Raymond	1,927,662	0.58%
Tejada Family Trust	1,900,800	0.58%
Williams, Claudell & Carolyn K.	1,886,830	0.57%
Bell Martin, Steven	1,877,700	0.57%
	<b>\$ 97,010,370</b>	<b>29.42%</b>

(a) Represents owner of multi-family apartment units.

(b) Represents the Developer.

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## TAXING PROCEDURES

**AUTHORITY TO LEVY TAXES . . .** The District is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the Serene Hills Defined Area within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Serene Hills Defined Area Bonds and any additional bonds payable from taxes which the District may hereafter issue (see “THE BONDS – Issuance of Additional Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of Payment.” Under Texas law, and if approved by the voters of the District, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations (see “TAX DATA – Maintenance Tax”).

**PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . .** The Texas Property Tax Code (the “Property Tax Code”) establishes an appraisal district and an appraisal review board in each county of Texas. The appraisal district is governed by a board of directors which is elected by the governing bodies of cities, towns, and school districts that participate in the appraisal district and of the county and, if entitled to vote, conservation and reclamation districts such as the District. The Board of Directors of the appraisal district selects a chief appraiser to manage the appraisal offices of the appraisal district. All taxing units within Travis County, including the District, are included in the Appraisal District. The Appraisal District is responsible for appraising property within the District, subject to review by the Travis Central Appraisal Review Board. The appraisal roll as approved by the Travis Central Appraisal Review Board must be used by the District in establishing its tax roll and tax rate.

**PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . General.** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District is subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain non-profit cemeteries; farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Goods, wares, ores and merchandise (other than oil, gas, or petroleum products) that are acquired in or imported into Texas and forwarded out of Texas within 175 days thereafter are also exempt. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. Veterans who receive from a rating of 100% disabled (and their surviving spouses so long as they remain unmarried) are entitled to an exemption from taxation of the total appraised value of the veteran’s residential homestead. Also exempt, if approved by the Board or through a process of petition and referendum by the District’s voters, are residential homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or more. The District has granted an exemption of \$10,300 of assessed valuation for persons 65 years of age and older and to individuals who are under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act. The District’s tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

The surviving spouse of a deceased veteran who qualified for such an exemption when the disabled veteran died, or the surviving spouse of a disabled veteran who would have qualified for such exemption if such exemption had been in effect on the date the disabled veteran died, is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries. A partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran’s disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse’s residences homestead, if the surviving spouse has not remarried since the service member’s death and said property was the service member’s residence homestead at the time of death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption from taxation of the total appraised value of such surviving spouse’s residence homestead, if the surviving spouse has not remarried since the first responder’s death. Such exemption is transferable to a different property of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The governing body of a taxing unit may exempt from taxation part or all of the assessed value of a structure or archeological site and the land necessary for access to and use of the structure or site, if the structure or site is designated as a recorded Texas Historic

Landmark or a state archeological landmark by the Texas Historical Commission or is designated as a historically or archeologically significant site in need of tax relief to encourage its preservation by the governing body of the taxing unit.

The Property Tax Code provides that a Community Housing Development Organization (a "CHDO") is entitled to an exemption from taxation of improved or unimproved real property under certain circumstances. A CHDO which applies for an exemption on or after January 1, 2004, is entitled to exemption from taxation of 50 percent of the appraised value of improved or unimproved real property it owns if it has for at least the preceding three years, (i) been exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (ii) met certain requirements for a charitable organization as delineated in the Property Tax Code, and (iii) had as one of its purposes to provide low-income housing. In addition, for property to be exempt, the CHDO must own the property for the purpose of constructing or rehabilitating a housing project and renting or selling the property to individuals or families who are below a specified income level, to be adjusted annually by cost of living.

Residential Homestead. The Board may exempt up to 20% of the market value of residential homesteads from ad valorem taxation if the exemption is adopted by the Board before July 1. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt, then the Board may continue to levy and collect taxes against the exempted value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligation of the contract by which the debt was created. The District has adopted a residential homestead exemption of 10% of the assessed value or \$5,000, whichever is greater.

Tax Abatement. The City of Austin, City of Bee Cave, City of Lakeway and Travis County may designate all or part of the area within the District as a reinvestment zone, and Travis County, Lake Travis Independent School District, the Lake Travis Independent School District, the District, and the Cities of Austin, Lakeway and Bee Cave, respectively, may thereafter enter into tax abatement agreements with owners of real property within such zone. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

**VALUATION OR PROPERTY FOR TAXATION . . .** Generally, all taxable property in the District (other than any qualifying agricultural or timberland) must be appraised by the Appraisal District at 100% market value as of January 1 of each year, subject to review and approval by the Appraisal Review Board. However, houses held for sale by a developer or builder which remain unoccupied, are not leased or rented, and produce no income are required to be assessed at the price for which they would sell as a unit to a purchaser who would continue the owner's business. Valuation of houses at inventory level in future years could reduce the assessed value of developer and builder house inventory within the District. The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values at least once every three years.

The Property Tax Code permits land designated for agricultural use or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use designation must apply for the designation, and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. If a claimant receives the designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including three years for agricultural use and five years for agricultural land and timberland, prior to the loss of the designation.

The chief appraiser must give written notice before the Appraisal Review Board meeting to an affected owner if a reappraisal has resulted in a recommended increase in value, if the appraiser will recommend an increase in value over the value rendered by the owner, or if property not previously included on the appraisal roll has been appraised. The Appraisal Review Board has the ultimate responsibility for determining the value of all taxable property within the District; however, any owner who has timely filed notice to the Appraisal Review Board may appeal the final determination by the Appraisal Review Board of the owner's protest by filing suit in Texas district court. Prior to such appeal, however, the owner must substantially comply with the requirements that it pay the tax due on the amount of value of the property involved that is not in dispute or the amount of tax paid in the prior year, whichever is greater, but not to exceed the amount of tax due under the order from which the appeal is taken. In the event of such suit, the value of the property is determined by the court, or a jury if requested by any party. Additionally, the District is entitled to challenge certain matters before the Appraisal Review Board, including the level of appraisal of a certain category of property, the exclusion of property from the appraisal records, or the grant in whole or in part of a partial exemption. The District may not, however, protest a valuation of individual property.

**LEVY OF TAXES . . .** By September 1 of each year, or as soon thereafter as possible, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Unless the Board, or the qualified voters of the District or of Travis County at an election held for such purpose, determines to transfer the collection of taxes to the Appraisal District or another taxing unit, the District is responsible for the levy and collection of its taxes.

**DISTRICT AND TAXPAYER REMEDIES . . .** Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the Appraisal Review Board by filing a petition for review in Texas state district court within forty-five (45) days after notice is received that a final order has been entered. In such event the property value in question may be determined by the

court, or by a jury, if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals that are higher than renditions and appraisals of property not previously on an appraisal roll.

**COLLECTION OF TAXES . . .** Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year. However, a person over 65 is entitled by law to pay current taxes on his residential homestead in installments or to defer taxes without penalty during the time he owns and occupies the property as his residential homestead. The date of the delinquency may be postponed if the tax bills are mailed after January 10 of any year. The Board may legally approve a 3% discount for taxes paid in October, 2% for November and 1% for December. Delinquent taxes are subject to a 6% penalty for the first month of delinquency, 1% for each month thereafter to July 1, and 12% total if any taxes are unpaid on July 1. Delinquent taxes also accrue interest at the rate of 1% per month during the period they remain outstanding. In addition, where a district engages an attorney for collection of delinquent taxes, the Board may impose a further penalty not to exceed twenty percent 20% on all taxes unpaid on July 1.

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each state and local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units (see "SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt" and "– Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six months of foreclosure unless the property is his residence homestead or designated for agricultural use, in which case the taxpayer may redeem the property within two years) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court. See "INVESTMENT CONSIDERATIONS – Tax Collection Limitations and Foreclosure Remedies."

Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

**ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . .** Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the district has completed. Districts that have adopted an operation and maintenance tax rate for the current tax year that is 2.5 cents or less per \$100 of taxable value are classified as "Low Tax Rate Districts." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified as "Developing Districts" (or "Other Districts"). The impact each classification has on the ability of a district to increase its total tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

#### *Special Taxing Units*

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

#### *Developed Districts*

Developed Districts that adopt a total tax rate in excess of 1.035 times the amount of the total tax rate imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions and any unused increments authorized by the Tax Code for the preceding tax year, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not

approved at the election, the total tax rate for the Developed District is the current year's debt service and contract tax rates plus 1.035 times the previous year's operation and maintenance tax rate. If a district qualifies as both a Low Tax Rate District and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Low Tax Rate Districts. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

#### *Developing or Other Districts*

The qualified voters of these districts, upon the district's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions.

#### *The District*

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax year at the time a district sets its tax rate. For the 2020 tax year, the Board of Directors has designated the Serene Hills Defined Area within the District a Developing District. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rate that will reclassify the District into a new classification and new rollback election calculation.

### **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, Texas, Travis County, Texas, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied solely on taxable property within the Serene Hills Defined Area in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the Serene Hills Defined Area and the taxes levied by the District and other taxing authorities upon the property within the Serene Hills Defined Area. See "THE BONDS – Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the Serene Hills Defined Area will occur or that property in the Serene Hills Defined Area will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

**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 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 with the current and any 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.



**FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS . . .** A substantial percentage of the taxable value of the Serene Hills Defined Area results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of single family residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics of the urban center toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the Serene Hills Defined Area or could adversely impact existing values. Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Lenders have been selective in recent years in making real estate loans in the Austin area because of the negative impact to their real estate portfolios. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the Serene Hills Defined Area. Because of the numerous and changing factors affecting the availability of funds, the Serene Hills Defined Area is unable to assess the future availability of such funds for continued development and construction within the Serene Hills Defined Area. In addition, although located approximately 20 miles northeast from the central downtown business district of Austin, the success of development within the Serene Hills Defined Area and growth of Serene Hills Defined Area taxable property values are, to a great extent, a function of the Austin, Texas, metropolitan and regional economics.

Competition. The demand for and construction of single-family homes in the Serene Hills Defined Area, which is 20 miles from downtown Austin, Texas, could be affected by competition from other residential developments including other residential developments located in other utility districts in the vicinity of the District, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the Serene Hills Defined Area.

The Serene Hills Defined Area is located within 10 miles of 3 other large developments: Lakeway, Twin Creeks and Deer Creek. Lakeway is a 2,550 acre multi-use project located on Highway 620, 4 miles to the west of Serene Hills. Lakeway includes over 30 single-family residential subdivisions in which a total of over 3,500 single-family homes have been built along with additional commercial and retail space. Twin Creeks is a 760-acre project located about 3 miles south of Serene Hills off Ranch Road 620. Twin Creeks is a 760-acre development with approximately 1,000 lots, over 600 of which contain occupied homes. The third primary competitor with Serene Hills is Deer Creek, a 214-acre subdivision with approximately 622 lots, which is almost completely built out. All of these projects will compete directly with Serene Hills for homebuilders and home purchasers.

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

Landowners Under No Obligation to the District. There are no commitments or obligations from any landowner to proceed at any particular rate or according to any specified plan with the construction of homes in the Serene Hills Defined Area, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the Serene Hills Defined Area. The District is also dependent upon its principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of any taxpayer will be or what effect, if any, such conditions may have on their ability to pay taxes. See "TAX DATA – Principal Taxpayers." Failure to construct taxable improvements on developed lots and tracts would restrict the rate of growth of taxable value in the Serene Hills Defined Area. See "THE SERENE HILLS DEFINED AREA – History and Status of Development" and "THE DEVELOPER."

A debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Regulatory Constraints. To the extent the remainder of acreage located within the Serene Hills Defined Area does not develop due to economic or other factors, including, without limitation, implementation by any governmental land use, water quality and other regulatory restrictions, such lack of development may have an adverse impact on the assessed valuation and tax rate within the Serene Hills Defined Area.

**TAX COLLECTION LIMITATIONS AND FORECLOSURE REMEDIES . . .** The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the Serene Hills Defined Area and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the Serene Hills Defined Area available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS – Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including

the taxpayers' right to redeem property within six months after the purchaser's deed issued at the foreclosure sale is filed in the County records with the exception of residential homesteads and property designated for agricultural use for which the right of redemption is two years). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the Serene Hills Defined Area pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "Bankruptcy Limitation to Registered Owners' Rights" below. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

**OVERLAPPING AND COMBINED TAX RATES . . .** The combined tax rate projections for the Serene Hills Defined Area reflects a projected combined tax rate of the Serene Hills Defined Area and the tax levied by the District. However, the tax rate that may be required to service debt on any bonds issued for the benefit of the Serene Hills Defined Area is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the Serene Hills Defined Area, the amount of direct unlimited tax bonds issues for the benefit of Serene Hills Defined Area and the District, regulatory approvals, construction costs and interest rates. There can be no assurance that combined tax rates imposed by overlapping jurisdictions on property situated in the Serene Hills Defined Area will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values in the Serene Hills Defined Area and the investment quality or security of the Bonds could be adversely affected. The combined 2020 tax levy of Serene Hills Defined Area and the District was \$0.6849 per \$100 of assessed valuation. The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Travis County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The projections for the Serene Hills Defined Area are consistent with the rules of the TCEQ. If the total combined tax rate of Serene Hills Defined Area should ever exceed \$1.20, the District could be prohibited under the TCEQ rules from selling additional bonds.

**REGISTERED OWNERS' REMEDIES . . .** In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The registered owners cannot themselves foreclose on property within the Serene Hills Defined Area or sell property within the Serene Hills Defined Area in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. See "THE BONDS – Remedies in Event of Default."

**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.

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

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

**FUTURE DEBT . . . District Debt . . .** As of June 1, 2021, approximately 299 acres of land within the Serene Hills Defined Area have been developed with utility facilities by the Developer. Lots in the development are 100% sold out. The Developer has advanced approximately \$26,000,000 to develop single family residential developments in the Serene Hills Defined Area. Based on an estimate as of June 1, 2021, the Developer is owed approximately \$6,652,237, with reimbursements expected to be made from the proceeds of future installments of bonds (including the Bonds) over the next several years. After issuance of the Bonds, the District will have \$20,580,000 of remaining authorized but unissued unlimited tax bonds for water, wastewater and drainage facilities serving the Serene Hills Defined Area. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the Serene Hills Defined Area (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional authorized but unissued bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the Serene Hills Defined Area. See “THE BONDS – Issuance of Additional Debt.”

The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

**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.

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

**TAX EXEMPT PROPERTY-STRATEGIC HOUSING FINANCE CORPORATION OF TRAVIS COUNTY . . .** Within the District there is the potential for property to be owned by the “Strategic Housing Finance Corporation of Travis County (“SHFC”), a public nonprofit housing finance corporation established in 2004 pursuant to Chapter 394 of the Texas Local Government Code (the “Texas Housing Finance Corporations Act”). SHFC operates a lease-to-purchase affordable housing program for low to moderate income families in Travis County that was initially financed with the proceeds of \$35 million in Lease Purchase Revenue Bonds issued by SHFC in 2004. Pursuant to the program as currently structured by SHFC, low to moderate income families in Travis County pay a fee to SHFC which purchases a home and leases it back to the family for a period of thirty nine (39) months. Under the Texas Housing Finance Corporations Act, all property owned by a nonprofit housing finance corporation, such as SHFC, is tax exempt, therefore during the thirty nine (39) month term of the lease, during which SHFC owns the home, that property is removed from the tax rolls of the District. If the tenant vacates the property or cannot afford to assume the mortgage at the end of the lease term, then the property may remain tax exempt indefinitely. Presently, there are no homes within the District that are owned by SHFC. Because the SHFC program is between itself and an individual resident, the District cannot make any projection regarding the future impact the SHFC program may have on its taxable appraised values. It is not known whether SHFC will seek additional funding for its program in the future or alter the terms and leasing arrangements at which it offers homes through its programs. Additionally, taxable appraised values may also be adversely affected if similar lease-to-purchase affordable housing programs are instituted by other corporations created under the Texas Housing Finance Corporations Act.

**FUTURE AND PROPOSED 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 87<sup>th</sup> 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.

**DROUGHT CONDITIONS . . .** Central Texas, like other areas of the State, has experienced drought conditions in recent years. The LCRA provides water to the District residents in amounts sufficient to service the residents of the District, however, as drought conditions emerge, water usage, District revenues and rates could be impacted.

**STORM WATER . . .** The National Weather Service recently completed a rainfall study known as Atlas 14. Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SERENE HILLS DEFINED AREA SYSTEM – Storm Drainage.”

## **LEGAL MATTERS**

**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 District to the effect that (i), based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and (ii) the interest on the Bonds will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. See “APPENDIX C – Form of Bond Counsel’s Opinion.” The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

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.

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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 to the District, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof interest on the Bonds for federal income tax purposes (“Existing Law”), (i) 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 of 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 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the “Original Issue Discount Bonds”). In such event, the difference between (i) the “stated redemption price at maturity” of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The “stated redemption price at maturity” means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (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, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION AND 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.

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

**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.

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered and beneficial owners. 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 events, to the Municipal Securities Rulemaking Board (“MSRB”) through its electronic municipal market access system. Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

**ANNUAL REPORTS . . .** The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the

general type included in this Official Statement 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 "Rule"). The updated information will include audited financial statements, if it is completed by the required time. If audited financial statements are not available within 12 months after the fiscal year end, the District will provide unaudited financial statements and audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of each year unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change. The District believes itself to be in compliance with its obligations under the Rule.

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

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 their agreement described above under "– Annual Reports."

**AVAILABILITY OF INFORMATION FROM THE MSRB . . .** The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under "Annual Reports" and "Notice of Certain Events" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB and will be available to the public free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

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

**LIMITATIONS AND AMENDMENTS . . .** The District has agreed to update information and to provide notices of certain specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a

complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered Owners may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Bond Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

**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.

## **PREPARATION OF OFFICIAL STATEMENT**

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

**EXPERTS . . .** The information contained in the Official Statement relating to engineering and to the description of the System, and, in particular, the engineering information included in the sections entitled "THE SERENE HILLS DEFINED AREA," and "THE SERENE HILLS DEFINED AREA SYSTEM" has been approved by the Engineer and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "APPENDIX B – Information Regarding the District" was provided by the Tax Collector and the Appraisal District.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement for the sale of the Bonds. In its capacity as Financial Advisor, Specialized Public Finance Inc. has compiled and edited this Official Statement. In addition to compiling and editing, the Financial Advisor has obtained the information set forth herein as indicated.

The Financial Advisor has not, however, independently verified the factual information contained in this Official Statement nor has it conducted an investigation into the affairs of persons or firms referred to in this Official Statement for the purpose of passing upon the accuracy or completeness of this Official Statement.

**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 97.062% of par. The initial reoffering price to the public by the Purchaser, produces compensation to the Purchaser of \$24,972.55. 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.

/s/ JEFF ROBERTS  
President, Board of Directors  
Travis County Water Control and Improvement District No. 17

ATTEST:

/s/ PEDRO MARTINEZ  
Secretary, Board of Directors  
Travis County Water Control and Improvement District No. 17

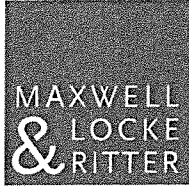
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**APPENDIX A**

**Financial Statement  
of the District  
For the Year Ended September 30, 2020**

The Bonds are limited obligations of the District payable solely from an unlimited ad valorem tax levied on all taxable property within the Serene Hills Defined Area within the District. The District provides water and wastewater services and collects revenues, fees and taxes throughout its service territory and boundaries which includes areas outside the Serene Hills Defined Area. As a result, the District's audited financial statement includes revenues, fees and taxes which are not pledged to the payment of the Bonds. The District's audited financial statements are provided for purposes of compliance with Rule 15c2-12 of the Federal Securities Exchange Act of 1934. Therefore, the District cautions that the financial information set forth herein unrelated to the Serene Hills Defined Area should not be construed or interpreted as available or pledged to the payment of the Bonds.

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MAXWELL LOCKE & RITTER LLP

Austin: 512.476.1000  
10000 North Loop West, Suite 2000  
Austin, Texas 78756  
www.mlr.com

Austin: 512.476.1000  
10000 North Loop West, Suite 2000  
Austin, Texas 78756

Round Rock: 512.476.1000  
10000 North Loop West, Suite 2000  
Round Rock, TX 78664

## 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 #00000000000000000000

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

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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*.

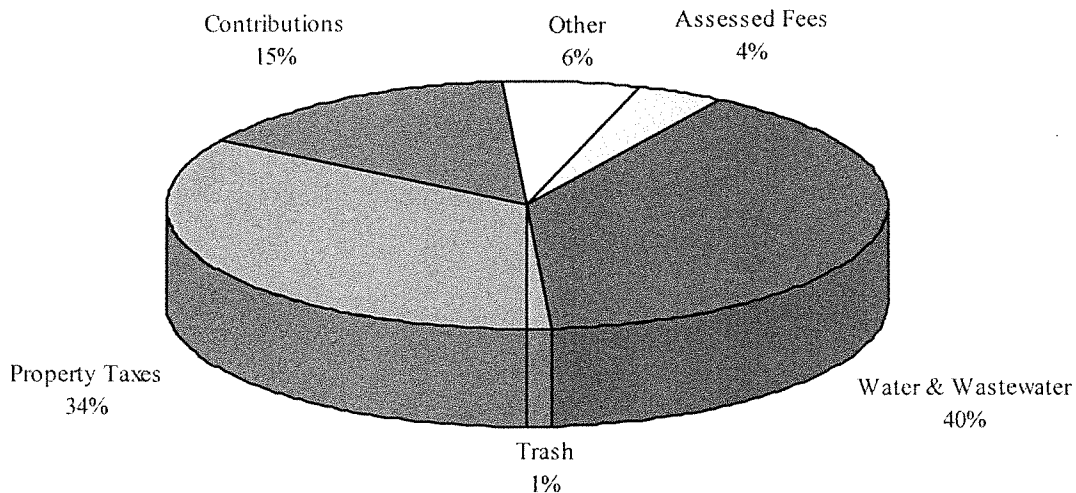
### Comparative Financial Statements

#### 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%)
<b>Total Revenues</b>	<b>41,640,630</b>	<b>36,313,828</b>	<b>15%</b>
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%
<b>Total Expenses</b>	<b>28,571,807</b>	<b>28,856,105</b>	<b>(1%)</b>
Change in net position	13,068,823	7,457,723	75%
Beginning net position	155,987,258	148,529,535	5%
<b>Ending net position</b>	<b>\$ 169,056,081</b>	<b>\$ 155,987,258</b>	<b>8%</b>

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](http://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
<b>Assets:</b>						
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
<b>Liabilities:</b>						
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
<b>Expenditures/expenses:</b>						
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
<b>Revenues:</b>						
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
<b>Fund balances/net position:</b>						
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

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### 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](http://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	<u>\$ 1,536,647</u>	<u>323,409</u>	<u>(260,922)</u>	<u>1,599,134</u>

## 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 B**

**Information Regarding the District**

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

<u>Tax Year</u>	<u>Assessed Valuation<sup>(a)</sup></u>	<u>Tax Rate</u>	<u>Levy</u>	<u>% Collections Total</u>	<u>Year Ended 9/30</u>
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

**HISTORICAL TAX BASE, TAX RATE AND COLLECTION  
EXPERIENCE FOR TAXES LEVIED ONLY ON PROPERTY LOCATED  
IN SERENE HILLS DEFINED AREA**

<u>Tax Year</u>	<u>Assessed Valuation<sup>(a)</sup></u>	<u>Tax Rate</u>	<u>Levy</u>	<u>% Collections Total</u>	<u>Year Ended 9/30</u>
2020	\$278,794,555	\$ 0.6250	\$1,742,466	98.69%	2021
2019	239,223,126	0.6250	1,495,145	99.63%	2020
2018	199,085,045	0.6250	1,244,282	99.17%	2019
2017	150,958,961	0.6250	951,497	98.05%	2018
2016	106,849,270	0.6250	667,808	99.71%	2017
2015	57,268,992	0.6500	372,248	99.58%	2016
2014	24,942,817	0.6500	162,128	99.63%	2015
2013	6,976,155	0.6500	45,345	99.30%	2014

(a) Source: Travis Central Appraisal District.

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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  
SERENE HILLS DEFINED AREA  
UNLIMITED TAX BONDS, SERIES 2021A  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$2,515,000**

**AS BOND COUNSEL FOR THE 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 order of the Board of Directors of the District adopted on September 16, 2021 authorizing the issuance of the Bonds (the "Order").

**WE HAVE EXAMINED** the Constitution and laws of the State of Texas, certified copies of the proceedings of the District, including the Order and other documents authorizing and relating to the issuance of the Bonds; and we have examined various certificates and documents executed by officers and officials of the District upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Bonds (Bond Numbered T-1) and specimens of Bonds to be authenticated and delivered in exchange for the Bonds.

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



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

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual 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 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, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.



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

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

**Specimen Municipal Bond Insurance Policy**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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





**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES