

OFFICIAL STATEMENT
Dated April 16, 2026

Rating:
S&P: "AA"/Insured
Moody's: "A1"/Insured
Moody's: "A1"/Underlying
Insurance: AG
See: "MUNICIPAL BOND
RATING AND INSURANCE"

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, 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, including the alternative minimum tax on certain corporations.

THE DISTRICT HAS NOT DESIGNATED THE BONDS AS "BANK QUALIFIED TAX-EXEMPT
OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.



\$5,675,000
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 2026

Dated Date: May 14, 2026

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

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

The \$5,675,000 "Travis County Water Control and Improvement District No. 17 Serene Hills Defined Area Unlimited Tax Bonds, Series 2026" (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 November 1, 2026 and on each May 1 and November 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 Bonds 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.

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.

PURPOSE . . . Proceeds of the Bonds will be used to finance the Serene Hills Defined Area's share of (i) the Serene Hills effluent pump station, (ii) Serene Hills right of way irrigation modifications, (iii) Serene Hills drip irrigation fields sections A-2 and A-3, (iv) Flintrock Ranch reclaimed irrigation pump station phase 1, (v) related engineering fees and contingency costs, and (vi) and 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 INC.**

CUSIP PREFIX: 894521
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

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, levied 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."

LEGALITY . . . The Bonds are offered by the District subject to prior sale, when, as and if issued by the District and accepted by the Purchaser, subject, among other things, to the approval of the Initial Bond by the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, Austin, Texas.

DELIVERY . . . The Bonds are expected to be available for delivery through the facilities of DTC on May 14, 2026 (the "Date of Initial Delivery"), in Austin, Texas.

MATURITY SCHEDULE

CUSIP PREFIX: 894521

Maturity (May 1)	Principal Amount	Interest Rate	Initial Yield ^(a)	CUSIP Suffix ^(b)
2027	\$ 135,000	4.000%	2.550%	EL3
2028	130,000	4.000%	2.600%	EM 1
2029	135,000	4.000%	2.700%	EN9
2030	145,000	4.000%	2.800%	EP4
2031	150,000	4.000%	2.900%	EQ2
2032	160,000	4.000%	3.000% ^(c)	ER0
2033	165,000	4.000%	3.150% ^(c)	ES8
2034	175,000	4.000%	3.300% ^(c)	ET6
2035	185,000	4.000%	3.400% ^(c)	EU3
***	***	***	***	***
2038	215,000	4.000%	3.650% ^(c)	EX7
2039	230,000	4.000%	3.800% ^(c)	EY5
2040	240,000	4.000%	3.900% ^(c)	EZ2
2041	250,000	4.000%	4.000%	FA6
2042	265,000	4.000%	4.080%	FB4
2043	280,000	4.000%	4.160%	FC2
2044	295,000	4.000%	4.240%	FD0
2045	310,000	4.000%	4.320%	FE8
2046	325,000	4.125%	4.400%	FF5
2047	345,000	4.250%	4.450%	FG3
2048	360,000	4.250%	4.500%	FH1
2049	380,000	4.250%	4.550%	FJ7
2050	400,000	4.250%	4.570%	FK4

\$400,000 4.000% Term Bond due May 1, 2037 at a Price to Yield 3.500%^{(a)(c)} – EW9^(b)

(Interest Accrues from the Date of Initial Delivery)

- (a) The initial yields are established by and are the sole responsibility of the Purchaser and may subsequently be changed.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. 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. None of the Initial Purchaser, the District, or the Financial Advisor are responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.
- (c) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on May 1, 2031, the first optional redemption date for such Bonds, at a redemption price of par plus accrued interest to the redemption date.

REDEMPTION . . . The District reserves the right, at its option, to redeem Bonds having stated maturities on and after May 1, 2032, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on May 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE BONDS – Redemption – Optional Redemption”). Additionally, the Bond maturing on May 1, 2037 (the “Term Bond”) is subject to mandatory sinking fund redemption (see “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption”).

Assured Guaranty Inc. (“AG”) makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG 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

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 “PREPARATION OF OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period.”

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 are expected to receive an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Inc. at the time of delivery of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS.” The Bonds and the District’s Serene Hills Defined Area outstanding bonds have been rated “A1” 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 2026 (the “Bonds”), in the aggregate principal amount of \$5,675,000 are issued as serial Bonds maturing on May 1 in each of the years 2027 through 2035 and 2038 through and including 2050 and as a term Bond maturing on May 1, 2037 (the “Term Bond”) in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds will accrue from the Date of Initial Delivery (expected on May 14, 2026) and will be payable on November 1, 2026 and on each May 1 and November 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, 2032, 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, 2031, 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. See “THE BONDS – Redemption Provisions – Optional Redemption.” Additionally, the Term Bond maturing on May 1, 2037 is subject to mandatory sinking fund redemption (see “THE BONDS – Redemption Provisions – Mandatory Sinking Fund Redemption”).
- Use of Proceeds* Proceeds of the Bonds will be used to finance the Serene Hills Defined Area’s share of (i) the Serene Hills effluent pump station, (ii) Serene Hills right of way irrigation modifications, (iii) Serene Hills drip irrigation fields sections A-2 and A-3, (iv) Flintrock Ranch reclaimed irrigation pump station phase 1, (v) related engineering fees and contingency costs, and (vi) 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 April 16, 2026 (the “Bond Order”), an order of the Texas Commission on Environmental Quality, 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.”
- 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, \$6,830,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021, and \$2,515,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021A. The District has never defaulted on the payment of its outstanding bonds.
- Municipal Bond Rating and Municipal Bond Insurance* The Bonds are expected to receive an insured rating of “AA” (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) and “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”) by virtue of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Inc. at the time of delivery of the Bonds. See “BOND INSURANCE” and “BOND INSURANCE RISKS.” The Bonds and the District’s Serene Hills Defined Area outstanding bonds have been rated “A1” 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.

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 16,000 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 February 1, 2026, 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. 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, along with commercial office space and retail pads on approximately 7 remaining acres.

In addition, the Serene Hills Defined Area has a 9.2 acre tract that includes a senior housing, independent living. See “THE SERENE HILLS DEFINED AREA SYSTEM.”

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 2025 tax year, the District levied a total tax rate of \$0.0560 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 \$0.0300 per \$100 of assessed valuation on all taxable property located within the Serene Hills Defined Area. 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.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2024 Certified Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value)	\$ 501,897,915 ^(a)
2025 Certified Taxable Assessed Valuation of the Serene Hills Defined Area (100% of Market Value)	\$ 478,194,455 ^(a)
Gross Direct Long-Term Debt Outstanding of the Serene Hills Defined Area	\$ 34,375,000 ^(b)
Estimated Overlapping Debt of the Serene Hills Defined Area	14,522,580 ^(c)
Gross Direct Long-Term Debt and Estimated Overlapping Debt	\$ 48,897,580
Ratio of Gross Direct Long-Term Debt Outstanding of the Serene Hills Defined Area to: 2025 Certified Taxable Assessed Valuation of the Serene Hills Defined Area	7.19%
Ratio of Gross Long-Term Debt of the Serene Hills Defined Area and Estimated Overlapping Debt to: 2025 Certified Taxable Assessed Valuation of the Serene Hills Defined Area	10.23%
Average Annual Debt Service Requirement (2026-2050)	\$ 1,938,243 ^(b)
Maximum Annual Debt Service Requirement (2041)	\$ 2,494,856 ^(b)
2025 District-Wide Maintenance Tax Rate	\$ 0.0560 ^(d)
2025 Serene Hills Defined Area Total Tax Rate	0.5100
Total	\$ 0.5660
Tax Rate Required to Pay Average Annual Debt Service (2026-2050) at 98% Collection Rate Based Upon the 2025 Certified Taxable Assessed Valuation of the Serene Hills Defined Area	\$ 0.4136 ^(b)
Tax Rate Required to Pay Maximum Annual Debt Service (2041) at 98% Collection Rate Based Upon the 2025 Certified Taxable Assessed Valuation of the Serene Hills Defined Area	\$ 0.5324 ^(b)
Status of Development within Serene Hills Defined Area as of February 1, 2026:	
Total Completed Homes	294
Completed Multi-Family Units	350
Homes Under Construction	0
Vacant Developed Lots	0
Undeveloped Acreage (developable)	0
Estimated Population	2,254 ^(e)

- (a) As certified by the Travis Central Appraisal District ("Appraisal District"). See "TAXING PROCEDURES."
- (b) Includes the Bonds and the Outstanding Serene Hills Defined Area 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 \$0.0560 per \$100 valuation.
- (e) Based upon 3.5 residents per completed single-family residence and multi-family unit.

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OFFICIAL STATEMENT

\$5,675,000

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 2026

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 \$5,675,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2026 (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”), an election held within the District on May 10, 2008, and an order of the Texas Commission on Environmental Quality (“TCEQ”). Capitalized terms used in this Official Statement not otherwise defined herein have the same meanings assigned to such terms in the Bond Order.

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 \$5,675,000 maturing as serial Bonds on May 1 in each of the years 2027 through 2035 and 2038 through and including 2050 and as a Term Bond maturing on May 1, 2037 in the principal amounts set forth on the inside cover page of this Official Statement. The Bonds will be dated May 14, 2026 and interest will accrue from the Date of Initial Delivery, which will be made on or about May 14, 2026, and will be payable on November 1, 2026 and on each May 1 and November 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 the Serene Hills Defined Area’s share of (i) the Serene Hills effluent pump station, (ii) Serene Hills right of way irrigation modifications, (iii) Serene Hills drip irrigation fields sections A-2 and A-3, (iv) Flintrock Ranch reclaimed irrigation pump station phase 1, (v) related engineering fees and contingency costs, and (vi) 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 rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

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

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

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.* The Bonds maturing on and after May 1, 2032 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, 2031, 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 a Term Bond, 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.

MANDATORY SINKING FUND REDEMPTION. The Bond maturing on May 1, 2037 (the "Term Bond") is 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:

Term Bond Due May 1, 2037	
Redemption Date	Principal Amount
May 1, 2036	\$ 195,000
May 1, 2037*	205,000

*Stated Maturity.

The principal amount of the Term Bond 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 Bond 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 Bond 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 Bond plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption. At least 30 calendar days prior to the date fixed for any optional redemption of 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.

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.

OUTSTANDING BONDS . . . 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, \$6,830,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021, and \$2,515,000 Serene Hills Defined Area Unlimited Tax Bonds, Series 2021A, of which approximately \$28,405,000 will remain outstanding as of the Date of Initial Delivery (the "Outstanding Serene Hills Defined Area Bonds").

FUNDS . . . The Bond Order confirms creation of the District's Debt Service Fund and a Capital Projects Fund. Each fund shall be kept separate and apart from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owners of the Bonds and the Outstanding Serene Hills Defined Area Bonds. Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of water control and improvement districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

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

Capital Projects Fund . . . The Capital Projects Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds, and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater, and drainage facilities as approved by TCEQ, then it is in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the TCEQ.

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 \$14,905,000 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 Chapter 43 of the Texas Local Government Code, 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.

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BOND INSURANCE

BOND INSURANCE POLICY . . . Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG”) will issue its Municipal Bond Insurance Policy (the “Policy”) for the Bonds. 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, Maryland, California, Connecticut or Florida insurance law.

ASSURED GUARANTY INC. . . . AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. (“AGL” and together with its subsidiaries, “Assured Guaranty”), 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 subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates and in the annuity reinsurance business through Assured Life Reinsurance Ltd. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG’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 “A1” (stable outlook) by Moody’s Investors Service, Inc. (“Moody’s”). Each rating of AG 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 AG in its sole discretion. In addition, the rating agencies may at any time change AG’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 AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG 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.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.: On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG (“AGM”), merged with and into AG, with AG as the surviving company (such transaction, the “Merger”). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings: On August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s financial strength rating of “AA” (stable outlook).

On July 10, 2024, Moody’s, following Assured Guaranty’s announcement of the Merger, announced that it had affirmed AG’s insurance financial strength rating of “A1” (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody’s and/or KBRA may take. For more information regarding AG’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, 2025.

Capitalization of AG: At December 31, 2025:

- The policyholders’ surplus of AG was approximately \$3,249 million.
- The contingency reserve of AG was approximately \$1,511 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,411 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG and (ii) the net unearned premium reserves and net deferred ceding commissions of AG’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

The policyholders’ surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG 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.

Incorporation of Certain Documents by Reference: Portions of AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2025 filed with the Securities and Exchange Commission (the "SEC") on February 27, 2026 that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

Miscellaneous Matters: AG makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AG 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 AG supplied by AG and presented under the heading "BOND INSURANCE."

BOND INSURANCE RISKS

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, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the Bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by AG at such time and in such amounts as would have been due absence such repayment by the District unless AG 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 AG without appropriate consent. AG may direct and must consent to any remedies and AG's consent may be required in connection with amendments to any applicable Bond documents.

In the event AG 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 AG 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 enhanced long-term ratings on the Bonds are dependent in part on the financial strength of AG and its claim paying ability. AG'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 AG and of the ratings on the Bonds insured by AG 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 AG are contractual obligations and in an event of default by AG, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the District nor the Initial Purchaser has made an independent investigation into the claims paying ability of AG and no assurance or representation regarding the financial strength or projected financial strength of AG is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of AG, particularly over the life of the investment. See "BOND INSURANCE" herein for further information regarding AG and the Policy, which includes further instructions for obtaining current financial information concerning AG.

THE SERENE HILLS DEFINED AREA

DESCRIPTION . . . The Serene Hills Defined Area encompasses approximately 456 acres within the master planned community known as Serene Hills. 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 February 1, 2026, 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. 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, along with commercial office space and retail pads on approximately 7 remaining acres.

In addition, the Serene Hills Defined Area has a 9.2 acre tract that includes a senior housing, independent living.

USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs included herein were compiled by Baxter and Woodman, 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.

		COST PAID BY DISTRICT
I.	CONSTRUCTION COSTS	
A.	Developer Contribution Items – None	
B.	District Items:	
1.	Serene Hills Effluent Pump Station.....	\$ 1,867,662
2.	Serene Hills Right of Way Irrigation Modifications	30,444
3.	Serene Hills Drip Irrigation Field A-2.....	740,976
4.	Serene Hills Drip Irrigation Field A-3.....	1,073,796
5.	Flintrock Ranch Reclamation Irrigation Pump Station Phase 1	520,644
6.	Engineering (9.48% of Items 1-5).....	401,404
7.	Contingencies (15% of Items 1-5).....	634,938
	Total District Contribution Items.....	\$ 5,269,864
	TOTAL CONSTRUCTION COSTS (92.86% of BIR)	\$ 5,269,864
II.	NON-CONSTRUCTION COSTS	
A.	Legal Fees (1.00%)	\$ 56,750
B.	Fiscal Agent Fees (1.25%)	88,672
C.	Bond Discount (2.26%).....	128,282
D.	Bond Issuance Expenses	49,201
E.	Bond Application Report Costs.....	20,400
F.	Attorney General Fees (0.10%).....	5,675
G.	TCEQ Fee (0.25% of BIR).....	14,188
H.	Contingency ^(a)	41,968
	Total Non-Construction Costs.....	\$ 405,136
	TOTAL BOND ISSUE REQUIREMENT	\$ 5,675,000

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

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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 16,000 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>
Vacant ^(a)	President		
Elicia G. Michaud	Vice President	Real Estate Broker	2026
Larry L. Harlan	Secretary	Retired Exxon Mobile Public Affairs	2026
Peter Martinez	Alternate Secretary	Retired Exxon Mobile Engineer	2028
Jeffrey Roberts	Director	Contracts Executive	2028
Phil Han	Director	Equities and Derivatives Trader	2026

(a) Effective December 31, 2025, Kenneth Smith retired his position as President. The District anticipates electing officers at its Board of Directors meeting on May 21, 2026.

GENERAL MANAGER AND STAFF . . . Jason F. Homan has managed the District since 2017. The District Chief Operating Officer, Joe Kunz, and Chief Financial Officer, Veronica Ellis, 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, 2025 which audit is attached. See “APPENDIX A – Financial Statement of the District for the Year Ended September 30, 2025.”

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 Baxter & Woodman, Inc. (“Engineer”). Jones-Heroy & Associates, Inc. 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 2025 provided water service to approximately 12,800 active connections and wastewater to approximately 7,595 active 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 to 2051. The contract was amended in April, 2024 and increased the authorization to withdrawal up to 10,300 acre-feet per year, or an average of 9.195 million gallons per day. The raw water contract is sufficient to serve 21,635 LUEs.

The District's existing water treatment facilities are sufficient to serve over 29,228 LUEs (i.e. treat approximately 28.0 MGD of water and the District currently serves approximately 20,000 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 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 February 1, 2026, \$27,450,000 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. All of the 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. This project is 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 \$12,395,000 remains outstanding as of February 1, 2026 (including the Series 2026 issue). The District has \$1,175,000 of authorized but unissued bonds for such defined area (after closing of the Series 2026 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 \$145,000 remained outstanding as of February 1, 2026. 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 February 1, 2026, \$290,000 remained outstanding on this bond issue. These improvements were completed in November 2005.

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, was amended in April 2024 which authorized withdrawal of up to 10,300 acre-feet per year, or an average of 9.195 million gallons per day ("MGD"). The District's existing water treatment facilities are sufficient to serve approximately 21,635 LUEs and the District in 2025 served approximately 12,800 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 2024 the District completed the Mansfield Water Treatment Plant with a treatment capacity of 12.0 MGD. The existing Eck Lane Water Treatment Plant has a treatment capacity of 16.0 MGD, giving the District a total treatment capacity to 28.0 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 0.633 MGD of effluent storage and effluent disposal. According to the Engineer, the District's wastewater treatment/disposal capacity is sufficient to serve approximately 9,826 LUEs as compared with 8,996 LUEs currently being served.

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.

In 2018, the National Weather Service 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.

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 the this paragraph, or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

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

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

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

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

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 September 30, 2025 the District’s funds were invested in the following:

Account	Amount	Percent
SouthState Bank	\$ 29,459,795	39.26%
TexSTAR	20,670,775	27.55%
NexBank	11,925,338	15.89%
CDs/Securities	12,979,770	17.30%
	<u>\$ 75,035,678</u>	<u>100.00%</u>

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SERENE HILLS DEFINED AREA DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Serene Hills Defined Area Bonds			The Bonds ^(a)			Total Serene Hills Defined Area Debt Service Requirements
	Principal	Interest	Total	Principal	Principal	Total	
2026	\$ 1,085,000	\$ 880,920	\$ 1,965,920	\$ -	\$ -	\$ -	\$ 1,965,920
2027	1,130,000	845,704	1,975,704	135,000	222,773	357,773	2,333,477
2028	1,165,000	815,836	1,980,836	130,000	225,719	355,719	2,336,555
2029	1,210,000	784,214	1,994,214	135,000	220,519	355,519	2,349,733
2030	1,255,000	750,336	2,005,336	145,000	215,119	360,119	2,365,455
2031	1,300,000	713,971	2,013,971	150,000	209,319	359,319	2,373,290
2032	1,350,000	675,291	2,025,291	160,000	203,319	363,319	2,388,609
2033	1,400,000	634,525	2,034,525	165,000	196,919	361,919	2,396,444
2034	1,450,000	591,881	2,041,881	175,000	190,319	365,319	2,407,200
2035	1,505,000	547,291	2,052,291	185,000	183,319	368,319	2,420,609
2036	1,560,000	500,669	2,060,669	195,000	175,919	370,919	2,431,588
2037	1,625,000	451,515	2,076,515	205,000	168,119	373,119	2,449,634
2038	1,685,000	399,828	2,084,828	215,000	159,919	374,919	2,459,747
2039	1,745,000	345,332	2,090,332	230,000	151,319	381,319	2,471,651
2040	1,810,000	288,078	2,098,078	240,000	142,119	382,119	2,480,197
2041	1,885,000	227,338	2,112,338	250,000	132,519	382,519	2,494,856
2042	1,765,000	167,719	1,932,719	265,000	122,519	387,519	2,320,238
2043	1,815,000	110,325	1,925,325	280,000	111,919	391,919	2,317,244
2044	1,400,000	60,231	1,460,231	295,000	100,719	395,719	1,855,950
2045	820,000	28,431	848,431	310,000	88,919	398,919	1,247,350
2046	530,000	12,100	542,100	325,000	76,519	401,519	943,619
2047	-	-	-	345,000	63,113	408,113	408,113
2048	-	-	-	360,000	48,450	408,450	408,450
2049	-	-	-	380,000	33,150	413,150	413,150
2050	-	-	-	400,000	17,000	417,000	417,000
	\$ 29,490,000	\$ 9,831,535	\$ 39,321,535	\$ 5,675,000	\$ 3,459,542	\$ 9,134,542	\$ 48,456,077

(a) Interest calculated at the rates shown on page 2 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 2025 Certified Assessed Valuation. The calculations assume collection of 98% of taxes levied.

Average Annual Debt Service Requirements (2026-2050).....	\$ 1,938,243
Tax Rate of \$0.4136 on the 2025 Certified Assessed Valuation produces (98% collections).....	\$ 1,938,256
Maximum Annual Debt Service Requirements (2041)	\$ 2,494,856
Tax Rate of \$0.5324 on the 2025 Certified Assessed Valuation produces (98% collections).....	\$ 2,494,989

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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>Total Tax Supported Debt</u>	<u>Estimated % Applicable</u>	<u>District's Overlapping Tax Supported Debt as of 3/31/2026</u>
Lake Travis ISD	\$ 504,195,000	1.83%	\$ 9,226,769
City of Lakeway	59,185,000	5.95%	3,521,508
Travis County	1,073,375,000	0.12%	1,288,050
Travis County ESD #6	475,000	1.77%	8,408
Travis County Healthcare District	398,205,000	0.12%	477,846
Travis County WCID #17 (Serene Hills)	34,375,000 ⁽¹⁾	100.00%	34,375,000 ^(a)
Total Direct and Overlapping Tax Supported Debt			\$ 48,897,580 ^(a)

Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation 10.23% ^(a)

(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 Serene Hills Defined Area 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 2025 taxes per \$100 of assessed valuation levied by all such taxing jurisdictions.

<u>TAXING JURISDICTION</u>	<u>2025 TAX RATES</u>
The District ^(a)	\$ 0.0300
Travis County	0.3758
Lake Travis ISD	1.0397
City of Lakeway	0.1696
Travis County Healthcare District	0.1180
Emergency Services District #6	0.0904
Estimated Tax Bill	\$ 1.8235

(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 total tax rate on all property located within the Serene Hills Defined Area of \$0.0300 per \$100 assessed valuation, plus the District-wide tax maintenance tax rate of \$0.0560.

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 2025, the District levied debt service tax of \$0.4800 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 2025, the District levied a District-wide \$0.0560 maintenance tax and a Serene Hills Defined Area maintenance tax of \$0.0300.

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 2025 Certified Estimated Taxable Assessed Valuation of \$478,194,455.

Name of Taxpayer	2025	% of Total
	Taxable Assessed Valuation	Taxable Assessed Valuation
BMEF Lakeway, LLC ^(a)	\$ 84,750,000	17.72%
Serene Hills Commons LP	7,439,231	1.56%
HEB LP	4,152,587	0.87%
Surgery Partners Inc.	3,452,291	0.72%
Homeowner	2,909,687	0.61%
Homeowner	2,797,818	0.59%
Homeowner	2,782,961	0.58%
Homeowner	2,778,962	0.58%
Homeowner	2,711,253	0.57%
Homeowner	2,505,347	0.52%
	<u>\$ 116,280,137</u>	<u>24.32%</u>

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

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TAXING PROCEDURES

AUTHORITY TO LEVY TAXES . . . The Board is authorized to levy an annual ad valorem tax 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 “INVESTMENT CONSIDERATIONS – Future Debt”) and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under “THE BONDS – Source of and Security for Payment.” Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See “TAX DATA – Tax Rate Limitation.”

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . . The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. TCAD has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis Central Appraisal Review Board (the “Appraisal Review Board”).

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . *General:* Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites, and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years of age or older and of certain disabled persons to the extent deemed advisable by the Board. The District may be required to call such an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the previous election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. 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 the statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District’s obligations to pay tax supported debt incurred prior to adoption of the exemptions by the District. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation if the exemption is adopted by the governing body of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has adopted a residential homestead exemption of 10% of the assessed value or \$5,000, whichever is greater.

Tax Abatement: Travis County and the District may 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 the increase in the assessed valuation of property covered by the agreement over its assessed valuation

in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Freeport Goods and Goods-in-Transit Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for “freeport property,” which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit,” which are defined as personal property acquired or imported into the state and transported to another location inside or outside the state within 175 days of the date the property was acquired or imported into the state. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. Freeport goods and goods-in-transit are not exempt from taxation by the District; however, pursuant to a resolution dated November 28, 2011, the District has elected to continue to tax goods in transit.

Temporary Exemption for Qualified Property Damaged by a Disaster: The Property Tax Code provides for temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the appraisal district is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

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

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

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

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “subjected property”) whose appraised values are not more than \$5 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent (20%) of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the “appraisal cap”). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap took effect on January 1, 2024.

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of

the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against TCAD to compel compliance with the Property Tax Code.

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to fifteen percent (15%) if imposed by the District. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 "Special Taxing Units." 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 Property 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 tax service rate and contract tax rate, plus the operation and maintenance tax rate that would impose 1.035 times the amount of the operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year, plus any unused increment rates (the "voter-approved tax rate"). An election is not required if the adopted tax rate is less than or equal to the voter-approved tax rate. 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 2025 tax year, the Board of Directors has designated 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.

DISTRICT'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT – Estimated Overlapping Debt Statement." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest. At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General – Tax Collections and Foreclosure Remedies."

EFFECT OF FIRREA ON TAX COLLECTIONS . . . FIRREA contains provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the FDIC when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

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

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.

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 2025 tax levy of Serene Hills Defined Area and the District was \$0.5660 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 February 1, 2026, all developable acreage within the Serene Hills Defined Area has been developed with utility facilities by the Developer. 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 February 1, 2026, 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 \$14,905,000 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.

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 . . . In 2018, the National Weather Service 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.”

POTENTIAL IMPACT OF NATURAL DISASTER . . . The District could be impacted by a natural disaster such as widespread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rate. See “TAXING PROCEDURES – Temporary Exemption for Qualified Property Damaged by a Disaster.”

There can be no assurance that a casualty will be covered by insurance (certain casualties, including floods, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

ENVIRONMENTAL REGULATION . . . Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (“EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Austin-Round Rock Area. The Federal Clean Air Act (“CAA”) requires the EPA to adopt and periodically revise national ambient air quality standards (“NAAQS”) for each of the six regulated air pollutants that may reasonably be anticipated to endanger public health or welfare: ground-level ozone, lead, carbon monoxide, sulfur dioxide, nitrogen dioxide, and particulate matter.

When a pollutant concentration in an area exceeds the NAAQS for a given pollutant, the area can be designated as “nonattainment” by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and “attain” compliance with the appropriate standard. This so-called State Implementation Plan (“SIP”) entails enforceable control measures and time frames.

In 1997, the EPA adopted the “8-hour” ozone standard of 80 parts per billion (“ppb”) (the “1997 Ozone Standard”) to protect public health and welfare. The Austin-Round Rock area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the “Austin-Round Rock Area”), was designated “attainment” on April 30, 2004, which became effective on June 15, 2004. In 2008, the EPA lowered the ozone standard from 80 ppb to 75 ppb (the “2008 Ozone Standard”). The Austin-Round Rock Area was designated as “attainment/unclassifiable” under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard from 75 ppb to 70 ppb (the “2015 Ozone Standard”). On November 16, 2017, the EPA designated the Austin-Round Rock Area as “attainment/unclassifiable” under the 2015 Ozone Standard, which became effective on January 16, 2018.

Although the Austin-Round Rock Area is currently designated an attainment/unclassifiable area, the Austin-Round Rock Area has been and continues to be near the non-attainment thresholds for the ozone standard. Accordingly, it is possible that the Austin-Round Rock Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. Specifically, should the Austin-Round Rock Area fail to achieve attainment/unclassifiable designation under EPA NAAQS, or should the Austin-Round Rock Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin-Round Rock Area may be subjected to serious repercussions pursuant to the CAA, including stricter emissions control requirements, mandatory sanctions, and a required Federal Implementation Plan (FIP) improved by the EPA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin-Round Rock Area. Due to the complexity of the nonattainment/conformity analysis, the status of EPA’s

implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin-Round Rock Area in the future is uncertain.

In the past, the Austin-Round Rock Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. The Austin-Round Rock Area is currently participating in the Capital Area Council of Governments (“CAPCOG”) Ozone Advance Program (“OAP”) as part of a voluntary regional 2019-2023 air quality plan focused on reducing ozone to keep the Austin-Round Rock Area in attainment with federal air quality standards. On February 7, 2024, the EPA announced a final rule to revise the primary annual PM_{2.5} (particulate matter) standard from its current level of 12.0 $\mu\text{g}/\text{m}^3$ to 9.0 $\mu\text{g}/\text{m}^3$. The EPA will likely designate non-attainment areas in early 2026. The non-attainment areas will have to come into compliance by 2032.

Water Supply & Discharge Issues. Water supply and discharge regulations that water control and improvement districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

Certain governmental entities regulate groundwater usage in the Austin-Round Rock Area. A water control and improvement district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a water control and improvement district’s provision of water for human consumption is subject to extensive regulation as a public water system. Water control and improvement districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) (“CGP”), with an effective date of March 5, 2023, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater discharges into surface water in the state. The CGP has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a water control and improvement district must comply may have an impact on the water control and improvement district’s ability to obtain and maintain compliance with TPDES permits.

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas that are within the “waters of the United States.” The District must obtain a permit from the United States Army Corps of Engineers (“USACE”) if operations of the District require that wetlands be filled, dredged, or otherwise altered.

In 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection. Subsequently, the EPA and USACE issued a final rule amending the definition of “waters of the United States” under the CWA to conform with the Supreme Court’s decision.

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of water control and improvement districts,

including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

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.

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) the District’s federal tax certificate and (b) covenants of the District with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. 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 the covenants and the requirements described in the preceding paragraph, 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 Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Bonds may be includable in certain corporation’s “adjusted financial statement income” determined under Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

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

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

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.

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.

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.

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 (the “Purchaser” or “Initial Purchaser”) to purchase the Bonds at the interest rates shown on the inside cover page of the Official Statement at a price of approximately 97.740% of par. 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.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery.” The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

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/ Phil Han
President, Board of Directors
Travis County Water Control and Improvement District No. 17

ATTEST:

/s/ Larry L. Harlan
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, 2025

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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Independent Auditors' Report

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

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the other information listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Maxwell Locke & Ritter LLP

Austin, Texas
January 29, 2026

Travis County Water Control and Improvement District No. 17

Management's Discussion and Analysis for the Year Ended September 30, 2025

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, 2025. 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*.

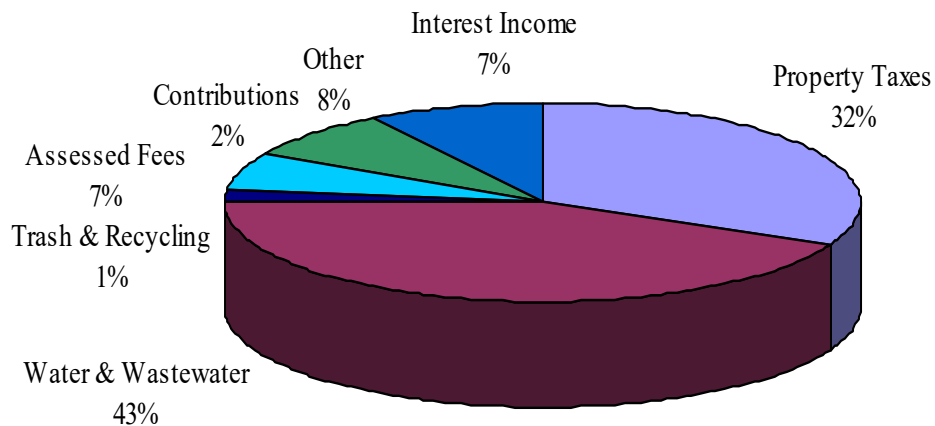
Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2025	2024	% Change
Current and other assets	\$ 78,265,363	\$ 76,152,047	3%
Capital assets	277,345,817	279,947,592	(1%)
Total assets	355,611,180	356,099,639	<(1%)
Deferred outflows of resources	916,483	1,050,201	(13%)
Current liabilities	20,137,848	21,479,208	(6%)
Long-term liabilities	100,678,533	109,677,314	(8%)
Total liabilities	120,816,381	131,156,522	(8%)
Net investment in capital assets	172,854,938	165,414,132	4%
Restricted	7,677,325	7,349,655	4%
Unrestricted	55,179,019	53,229,531	4%
Total net position	\$ 235,711,282	\$ 225,993,318	4%

The District's total assets were approximately \$355.6 million as of September 30, 2025. Of this amount, approximately \$277.3 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$120.8 million of which \$109. million represent bonds payable.

Sources of Revenue



Statement of Activities

	Governmental Activities		
	2025	2024	% Change
Water and wastewater service	\$ 20,489,998	\$ 18,746,835	9%
Trash and recycling service	718,602	650,895	10%
Property taxes	15,358,416	15,841,403	(3%)
Contributions	906,271	79,292	1,043%
Assessed fees	3,297,927	2,909,430	13%
Other	7,303,359	7,927,699	(8%)
Total revenues	48,074,573	46,155,554	4%
Water and wastewater	2,485,118	2,616,664	(5%)
Trash and composting	614,683	590,147	4%
Salary and related expenditures	10,107,393	8,815,454	15%
Professional services	795,410	730,195	9%
Materials and supplies	993,782	973,813	2%
Repairs and maintenance	3,504,458	2,754,191	27%
Utilities	2,541,903	2,327,557	9%
Insurance	580,950	564,963	3%
Apache Shores	1,753,764	1,260,398	39%
Chemicals and lab tests	553,523	574,912	(4%)
Other	1,785,904	2,118,458	(16%)
Debt service	3,030,334	3,300,625	(8%)
Depreciation and amortization	9,609,387	8,890,738	8%
Total expenses	38,356,609	35,518,115	8%
Change in net position	9,717,964	10,637,439	(9%)
Beginning net position	225,993,318	215,355,879	5%
Ending net position	\$ 235,711,282	\$ 225,993,318	4%

Operating revenues increased by approximately \$1.9 million to approximately \$48.1 million for the fiscal year ended September 30, 2025. Water and wastewater provided approximately \$20.5 million, various assessed fees provided approximately \$3.3 million, and property taxes generated approximately \$15.4 million in revenues. Total expenses increased approximately \$2.8 million to approximately \$38.4 million for the fiscal year ended September 30, 2025. Net position increased approximately \$9.7 million and approximately \$10.6 million for the fiscal years ended September 30, 2025 and 2024, respectively.

Analysis of Governmental Funds

Government Funds by Year

	2025	2024
Cash and cash equivalents	\$ 38,784,238	\$ 39,411,453
Temporary investments	35,247,377	32,949,087
Accounts receivable	3,390,486	2,889,840
Inventory	5,000	5,000
Prepays and other assets	513,116	545,503
Due from other funds	6,984,082	3,643,992
Total assets	<u>\$ 84,924,299</u>	<u>\$ 79,444,875</u>
Accounts payable	\$ 8,495,523	\$ 9,742,730
Accrued liabilities	258,310	277,057
Customer deposits	1,419,076	1,419,485
Unearned revenue	230,504	64,430
Due to other funds	6,984,082	3,643,992
Total liabilities	<u>17,387,495</u>	<u>15,147,694</u>
Deferred inflows of resources	<u>301,014</u>	<u>233,400</u>
Nonspendable	518,116	550,503
Restricted for debt service	8,896,467	8,691,589
Restricted for capital projects	16,277,386	7,561,907
Committed	2,412,001	2,802,260
Unassigned	39,131,820	44,457,522
Total fund balances	<u>67,235,790</u>	<u>64,063,781</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 84,924,299</u>	<u>\$ 79,444,875</u>

The *General Fund* pays for daily operating expenditures. When comparing actual to budget, actual revenues were less than the final budgeted revenues primarily due to water and wastewater service revenue being lower than budgeted. Expenditures were lower than budgeted primarily due to less capital outlay expenditures than budgeted. 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 \$6.7 million and interest of approximately \$2.4 million during the year ended September 30, 2025. 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 \$5.0 million for the year ended September 30, 2025.

Capital Assets and Long-Term Debt Activity

Capital Assets

	2025	2024
Land and easements	\$ 2,676,443	\$ 2,676,443
Construction in progress	42,956,126	49,392,868
Infrastructure	360,777,904	351,687,802
Buildings	6,096,997	1,742,745
Furniture, fixtures and equipment	6,282,353	6,282,353
Right-to-use leased assets - equipment	308,146	350,357
Subtotal	419,097,969	412,132,568
Accumulated depreciation and amortization	(141,752,152)	(132,184,976)
Total	<u>\$ 277,345,817</u>	<u>\$ 279,947,592</u>

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

Long-Term Debt Activity

	2025	2024
Current portion	\$ 8,330,000	\$ 8,435,000
Long term portion	97,325,000	105,790,000
Total	<u>\$ 105,655,000</u>	<u>\$ 114,225,000</u>

Currently Known Facts, Decisions, or Conditions

The adopted budget for 2026 projects an increase in revenue of approximately \$1.9 million compared to the 2025 final operating budget and an increase in expenditures of approximately \$2.1 million from the 2025 final operating budget. The tax rate has been set at \$0.0560 and \$0.0300 per \$100 of assessed value for the District wide area and the Serene Hills Defined Area, respectively, for operations and maintenance funds, and \$0.1396, \$0.2650, and \$0.4800 per \$100 assessed value for the Steiner Ranch Defined Area, Flintrock Ranch Estates Defined Area, and Serene Hills Defined Area, respectively, which is for debt service funds.

Requests for Information

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District at 3812 Eck Lane, Austin, Texas 78734. For an updated description of the areas served by the District and the facilities operated by the District, please refer to the District's website at www.wcid17.org.

Travis County Water Control and Improvement District No. 17

Statement of Net Position and Governmental Funds Balance Sheet September 30, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 36,342,235	12,538	2,429,465	38,784,238	-	38,784,238
Temporary investments	8,362,014	12,855,079	14,010,850	35,227,943	-	35,227,943
Restricted investments	-	-	19,434	19,434	-	19,434
Accounts receivable:						
Property taxes	164,759	136,255	-	301,014	-	301,014
Service accounts, net	2,762,926	-	-	2,762,926	-	2,762,926
Other	118,836	-	207,710	326,546	-	326,546
Due from other funds	2,894,907	-	4,089,175	6,984,082	(6,984,082)	-
Inventory	5,000	-	-	5,000	-	5,000
Prepays and other assets	513,116	-	-	513,116	325,146	838,262
Capital assets (net of accumulated depreciation and amortization):						
Land and easements	-	-	-	-	2,676,443	2,676,443
Construction in progress	-	-	-	-	42,956,126	42,956,126
Infrastructure	-	-	-	-	225,654,967	225,654,967
Buildings	-	-	-	-	4,362,351	4,362,351
Furniture, fixtures and equipment	-	-	-	-	1,615,254	1,615,254
Right-to-use leased assets - equipment	-	-	-	-	80,676	80,676
Total assets	<u>\$ 51,163,793</u>	<u>13,003,872</u>	<u>20,756,634</u>	<u>84,924,299</u>	<u>270,686,881</u>	<u>355,611,180</u>
Deferred outflows of resources-						
Deferred charges on bond refundings	\$ -	-	-	-	916,483	916,483
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>916,483</u>	<u>916,483</u>
Total assets and deferred outflows of resources	<u>\$ 51,163,793</u>	<u>13,003,872</u>	<u>20,756,634</u>	<u>84,924,299</u>	<u>271,603,364</u>	<u>356,527,663</u>
Liabilities:						
Accounts payable	\$ 6,409,000	19,276	2,067,247	8,495,523	-	8,495,523
Accrued liabilities	258,310	-	-	258,310	-	258,310
Due to other funds	3,032,208	3,951,874	-	6,984,082	(6,984,082)	-
Accrued bond interest payable	-	-	-	-	1,355,397	1,355,397
Customer deposits	1,419,076	-	-	1,419,076	-	1,419,076
Unearned revenue	230,504	-	-	230,504	-	230,504
Long-term liabilities:						
Due within one year	-	-	-	-	8,379,038	8,379,038
Due after one year	-	-	-	-	100,678,533	100,678,533
Total liabilities	<u>11,349,098</u>	<u>3,971,150</u>	<u>2,067,247</u>	<u>17,387,495</u>	<u>103,428,886</u>	<u>120,816,381</u>
Deferred inflows of resources-						
Property taxes	164,759	136,255	-	301,014	(301,014)	-
Total deferred inflows of resources	<u>164,759</u>	<u>136,255</u>	<u>-</u>	<u>301,014</u>	<u>(301,014)</u>	<u>-</u>
Fund balances/net position:						
Fund balances:						
Nonspendable:						
Inventory	5,000	-	-	5,000	(5,000)	-
Prepays and other assets	513,116	-	-	513,116	(513,116)	-
Restricted for:						
Debt service	-	8,896,467	-	8,896,467	(8,896,467)	-
Capital projects	-	-	16,277,386	16,277,386	(16,277,386)	-
Committed to-						
Impact fee expenditures	-	-	2,412,001	2,412,001	(2,412,001)	-
Unassigned	39,131,820	-	-	39,131,820	(39,131,820)	-
Total fund balances	<u>39,649,936</u>	<u>8,896,467</u>	<u>18,689,387</u>	<u>67,235,790</u>	<u>(67,235,790)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 51,163,793</u>	<u>13,003,872</u>	<u>20,756,634</u>	<u>84,924,299</u>		
Net position:						
Net investment in capital assets					172,854,938	172,854,938
Restricted for debt service					7,677,325	7,677,325
Unrestricted					55,179,019	55,179,019
Total net position					<u>\$ 235,711,282</u>	<u>235,711,282</u>

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, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Expenditures/expenses:						
Service operations:						
Water and wastewater	\$ 2,485,118	-	-	2,485,118	-	2,485,118
Trash and composting	614,683	-	-	614,683	-	614,683
Salary and related expenditures	10,107,393	-	-	10,107,393	-	10,107,393
Professional services	621,727	173,683	-	795,410	-	795,410
Materials and supplies	993,782	-	-	993,782	-	993,782
Repairs and maintenance	3,504,458	-	-	3,504,458	-	3,504,458
Utilities	2,541,903	-	-	2,541,903	-	2,541,903
Insurance	580,950	-	-	580,950	-	580,950
Apache Shores	1,753,764	-	-	1,753,764	-	1,753,764
Chemicals and lab tests	553,523	-	-	553,523	-	553,523
Other	1,708,783	-	149,858	1,858,641	(72,737)	1,785,904
Capital outlay	1,057,084	-	5,044,257	6,101,341	(6,101,341)	-
Debt service:						
Principal payments	-	6,705,000	1,865,000	8,570,000	(8,570,000)	-
Interest payments	-	2,436,629	1,005,584	3,442,213	(437,379)	3,004,834
Fiscal agent fees and other	-	24,677	823	25,500	-	25,500
Depreciation and amortization	-	-	-	-	9,609,387	9,609,387
Total expenditures/expenses	26,523,168	9,339,989	8,065,522	43,928,679	(5,572,070)	38,356,609
Revenues:						
Program revenues:						
Water and wastewater service	20,489,998	-	-	20,489,998	-	20,489,998
Trash and recycling service	718,602	-	-	718,602	-	718,602
Connection and service fees	577,025	-	-	577,025	-	577,025
Permit/inspection income	395,985	-	-	395,985	-	395,985
Impact fees	-	-	2,324,917	2,324,917	-	2,324,917
Apache Shores income	2,761,168	-	-	2,761,168	-	2,761,168
Total program revenues	24,942,778	-	2,324,917	27,267,695	-	27,267,695
Total program expense, net						(11,088,914)
General revenues:						
Property taxes, including penalties and interest	6,041,035	9,249,767	-	15,290,802	67,614	15,358,416
Interest income	2,143,948	570,014	640,622	3,354,584	-	3,354,584
Penalties and fines	218,023	-	-	218,023	-	218,023
Contributions	-	-	-	-	906,271	906,271
Other income	693,951	220,290	55,343	969,584	-	969,584
Total general revenues	9,096,957	10,040,071	695,965	19,832,993	973,885	20,806,878
Total revenues	34,039,735	10,040,071	3,020,882	47,100,688	973,885	48,074,573
Excess (deficiency) of revenues over (under) expenditures	7,516,567	700,082	(5,044,640)	3,172,009	6,545,955	9,717,964
Other financing sources (uses)-						
Transfers in (out)	(12,854,393)	(515,467)	13,369,860	-	-	-
Total other financing sources (uses)	(12,854,393)	(515,467)	13,369,860	-	-	-
Changes in fund balances/net position	(5,337,826)	184,615	8,325,220	3,172,009	6,545,955	9,717,964
Fund balances/net position:						
Beginning of year	44,987,762	8,711,852	10,364,167	64,063,781	161,929,537	225,993,318
End of year	\$ 39,649,936	8,896,467	18,689,387	67,235,790	168,475,492	235,711,282

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, 2025

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Water and wastewater service	\$ 20,695,125	21,595,125	20,489,998	(1,105,127)
Trash and recycling service	699,000	699,000	718,602	19,602
Property taxes, including penalties and interest	5,952,475	5,952,475	6,041,035	88,560
Connection and service fees	213,100	213,100	577,025	363,925
Penalties and fines	592,100	592,100	218,023	(374,077)
Interest income	2,244,683	2,244,683	2,143,948	(100,735)
Permit/inspection income	333,000	403,000	395,985	(7,015)
Apache Shores income	2,009,463	2,009,463	2,761,168	751,705
Other income	871,960	871,960	693,951	(178,009)
Total revenues	<u>33,610,906</u>	<u>34,580,906</u>	<u>34,039,735</u>	<u>(541,171)</u>
Expenditures:				
Service operations:				
Water and wastewater	2,990,125	2,990,125	2,485,118	505,007
Trash and composting	618,000	618,000	614,683	3,317
Salary and related expenditures	10,222,011	10,336,111	10,107,393	228,718
Professional services	584,000	619,000	621,727	(2,727)
Materials and supplies	925,350	970,507	993,782	(23,275)
Repairs and maintenance	2,594,500	2,706,250	3,504,458	(798,208)
Utilities	2,434,500	2,464,500	2,541,903	(77,403)
Insurance	550,000	627,000	580,950	46,050
Apache Shores	1,871,863	1,871,863	1,753,764	118,099
Chemicals and lab tests	809,600	782,600	553,523	229,077
Other	1,927,619	1,981,619	1,708,783	272,836
Capital outlay	1,959,354	1,783,209	1,057,084	726,125
Total expenditures	<u>27,486,922</u>	<u>27,750,784</u>	<u>26,523,168</u>	<u>1,227,616</u>
Excess of revenues over expenditures	6,123,984	6,830,122	7,516,567	686,445
Other financing uses-				
Transfers out	-	-	(12,854,393)	(12,854,393)
Change in fund balance	6,123,984	6,830,122	(5,337,826)	(12,167,948)
Fund balances:				
Beginning of year	44,987,762	44,987,762	44,987,762	-
End of year	<u>\$ 51,111,746</u>	<u>51,817,884</u>	<u>39,649,936</u>	<u>(12,167,948)</u>

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, 2025

1. Summary of Significant Accounting Policies

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The District reports the following major governmental funds:

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

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

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

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund, Debt Service Fund, and Capital Projects Fund. The budget is proposed by the District General Manager for the fiscal year commencing on 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 - 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, 2025, the District had an allowance for uncollectible accounts of \$121,526.

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, furniture, fixtures and equipment, and intangible right-to-use assets, 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 (except for intangible right-to-use assets which are measured based on the information in the Leases accounting policy below). 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 and amortized using the straight line method over the following estimated useful lives: infrastructure - five to fifty years, buildings - five to thirty years, furniture, fixtures and equipment - five to twenty years, right-to-use assets - five 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.

Leases - The District is a lessee for noncancellable leases of vehicles. The District recognizes a lease liability and an intangible right-to-use lease asset in the financial statements.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term and the lease liability is reduced by the principal portion of lease payments when made. The intangible right-to-use lease asset is initially measured at the initial amount of the lease liability and is amortized on a straight-line basis over its useful life.

The key estimates and judgments related to leases include how the District determines the discount rate used to discount the expected lease payments to present value, lease term, and lease payments. The District uses the risk free rate for the term of the lease agreement as the discount rate for leases. The lease term includes the noncancellable period of the lease, and lease payments included in the measurement of the lease liability are comprised of fixed payments.

The District monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the intangible right-to-use lease asset and lease liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

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 10 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 Pronouncement

In May 2024, the GASB issued GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for fiscal years beginning after June 15, 2025. The objective of GASB Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing an entity's accountability. GASB Statement No. 103 impacts the following areas: (1) Management's discussion and analysis - information is limited to topics discussed in five sections which include a) overview of the financial statements, b) financial summary, c) detailed analysis, d) significant capital asset and long-term financial activity, and e) currently known facts, decisions, or conditions. Information included in the detailed analysis should explain why balances and results of operations changed; (2) Unusual or infrequent items - these items are limited to transactions that are either unusual in nature or infrequent in occurrence and are displayed as the last presented flow of resources prior to the net change in resource flows; (3) Proprietary funds - the statement of revenues, expenses, and changes in net position is now required to separately report noncapital subsidies and present a subtotal for operating income (loss) and noncapital subsidies before reporting nonoperating revenues and expenses. It also defines what constitutes a subsidy; (4) Major component unit information - each major component unit is required to be presented separately in the statement of net position and statement of activities unless it reduces the readability of the statements; (5) Budgetary comparison information - this is now required to be presented as required supplemental information and also must present variances between original and final budget amounts and variances between final budget and actual amounts. Management is evaluating the effects that the full implementation of GASB Statement No. 103 will have on its financial statements for the year ended September 30, 2026.

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	\$ 67,235,790
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.	325,146
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	277,345,817
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	301,014
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	(108,973,798)
Less: Deferred charges on bond refundings	916,483
Bond interest payable	(1,355,397)
Leases payable	(83,773)
Total net position	<u>\$ 235,711,282</u>

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

Change in fund balances	\$ 3,172,009
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 and amortization expense or reflected as contribution revenue for contributed capital assets:	
Capital outlay	6,101,341
Depreciation and amortization expense	(9,609,387)
Contributed capital assets	906,271
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	67,614
Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and other debt 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	8,570,000
Repayment of lease principal	72,737
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	112,373
Amortization of deferred charges on bond refunding	(133,718)
Amortization of bond premium	528,262
Amortization of original issue discount	(43,520)
Amortization of bond insurance costs	(26,018)
Change in net position	<u><u>\$ 9,717,964</u></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, 2025, 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 (the "SEC"), and eligible public funds investment pools.

Investments held at September 30, 2025 consisted of the following:

Type	Fair Value	Weighted Average Maturity (Days)	Standard & Poor's Rating
Local Governmental Investment Pools-			
TexStar	\$ 22,248,172	1	AAAm
Certificates of Deposit	12,979,771	369	N/A
Money Market Mutual Funds	19,434	1	N/A
Total	<u>\$ 35,247,377</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 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, 2025, 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, 2025, 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, 2025, the District's holdings in certificates of deposit had a weighted average maturity of 369 days.

Concentration of Credit Risk - Concentration of credit risk is the risk of loss attributable to the magnitude of investments in a single issuer. Information regarding investments in any one issuer that represents five percent or more of the District's total investments must be disclosed under GASB Statement No. 40, excluding investments issued or explicitly guaranteed by the U.S. government.

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, 2025, was as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Debt Service Fund	\$ 2,894,907
Capital Projects Fund	Debt Service Fund	1,056,967
Capital Projects Fund	General Fund	3,032,208
Total		<u>\$ 6,984,082</u>

During the year, the General Fund transferred \$12,854,393 to the Capital Projects Fund for capital outlay expenditures. In addition, the Debt Service Fund transferred \$515,467 to the Capital Projects Fund for bond principal and interest payments.

5. Capital Assets

Capital assets activity for the year ended September 30, 2025, was as follows:

	Balance 9/30/2024	Additions	Retirements and Transfers	Balance 9/30/2025
Capital assets not being depreciated and amortized:				
Land and easements	\$ 2,676,443	-	-	2,676,443
Construction in progress	49,392,868	5,206,913	(11,643,655)	42,956,126
Total capital assets not being depreciated and amortized	52,069,311	5,206,913	(11,643,655)	45,632,569
Capital assets being depreciated and amortized:				
Infrastructure	351,687,802	1,776,309	7,313,793	360,777,904
Buildings	1,742,745	24,390	4,329,862	6,096,997
Furniture, fixtures and equipment	6,282,353	-	-	6,282,353
Right-to-use leased assets - equipment	350,357	-	(42,211)	308,146
Total capital assets being depreciated and amortized	360,063,257	1,800,699	11,601,444	373,465,400
Less accumulated depreciation and amortization for:				
Infrastructure	(126,062,141)	(9,060,796)	-	(135,122,937)
Buildings	(1,545,272)	(189,374)	-	(1,734,646)
Furniture, fixtures and equipment	(4,380,562)	(286,537)	-	(4,667,099)
Right-to-use leased assets - equipment	(197,001)	(72,680)	42,211	(227,470)
Total accumulated depreciation and amortization	(132,184,976)	(9,609,387)	42,211	(141,752,152)
Total capital assets being depreciated and amortized, net	227,878,281	(7,808,688)	11,643,655	231,713,248
Capital assets, net	\$ 279,947,592	(2,601,775)	-	277,345,817

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, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025
Deferred charges on bond refundings	\$ 1,050,201	-	(133,718)	916,483

7. Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended September 30, 2025:

	Balance 9/30/2024	Additions	Retirements	Balance 9/30/2025
Bonds payable	\$ 114,225,000	-	(8,570,000)	105,655,000
Discount on bonds	(712,472)	-	43,520	(668,952)
Premium on bonds	4,516,012	-	(528,262)	3,987,750
Leases payable	156,510	-	(72,737)	83,773
Total	\$ 118,185,050	-	(9,127,479)	109,057,571

Long-term debt at September 30, 2025 is comprised of the following:

	Balance September 30, 2025	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.	\$ 145,000	\$ -
\$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.	355,000	65,000
\$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.	865,000	90,000

\$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.	\$ 1,215,000	\$ 155,000
\$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.	975,000	120,000
\$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.	620,000	620,000
\$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.	7,980,000	810,000
\$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.	1,465,000	105,000
\$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.	3,595,000	140,000
\$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.	6,650,000	1,315,000

\$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.	\$ 3,160,000	\$ 515,000
\$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.	10,690,000	760,000
\$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.	3,355,000	130,000
\$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.	5,880,000	215,000
\$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.	4,115,000	180,000
\$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.	1,670,000	180,000
\$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.	15,435,000	930,000

\$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.	\$ 4,050,000	\$ 125,000
\$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.	11,035,000	1,125,000
\$6,830,000 Series 2021, Travis County Water Control and Improvement District No.17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on May 1 through 2046. Interest varies from 2.00% to 5.00% and is payable on May 1 and November 1 each year. Bonds are callable on May 1, 2027.	6,215,000	215,000
\$1,665,000 Series 2021, Travis County Water Control and Improvement District No. 17 Flintrock Ranch Estates Defined Area Unlimited Tax Bonds, maturing annually on May 1 through 2046. Interest varies from 2.00% to 2.25% and is payable on May 1 and November 1 each year. Bonds are callable on May 1, 2027.	1,610,000	55,000
\$13,425,000 Series 2021, Travis County Water Control and Improvement District No.17 Water and Sewer System Revenue Bonds, maturing annually on November 1 through 2046. Interest varies from 1.00% to 2.25% and is payable on May 1 and November 1 each year. Bonds are callable on November 1, 2027.	12,295,000	400,000
\$2,515,000 Series 2021A, Travis County Water Control and Improvement District No.17 Serene Hills Defined Area Unlimited Tax Bonds, maturing annually on May 1 through 2046. 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, 2027.	2,280,000	80,000
Total long-term debt	<u>\$ 105,655,000</u>	<u>\$ 8,330,000</u>

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, 2025.

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, 2025, the debt service requirements to maturity on the long-term debt outstanding is as follows:

Fiscal Year	Principal	Interest	Total Requirement
2026	\$ 8,330,000	3,155,236	11,485,236
2027	8,885,000	2,857,100	11,742,100
2028	9,060,000	2,561,748	11,621,748
2029	9,400,000	2,260,423	11,660,423
2030	9,745,000	1,953,909	11,698,909
2031-2035	28,445,000	6,498,155	34,943,155
2036-2040	18,190,000	3,036,651	21,226,651
2041-2045	11,490,000	981,713	12,471,713
2046-2047	2,110,000	47,876	2,157,876
Total	<u>\$ 105,655,000</u>	<u>23,352,811</u>	<u>129,007,811</u>

At September 30, 2025, unlimited tax bonds of \$23,145,000 were authorized by the District, but unissued. Of this amount, \$20,580,000 represents unissued Serene Hills Defined Area Bond authority, and \$2,565,000 represents Flintrock Ranch Estates Defined Area Bond authority.

8. Leases

The District leases vehicles under a master equity lease agreement. The lease term begins upon delivery of the vehicle, and the leases have an initial term ranging from twelve to sixty months, with the option to continue month-to-month for an unlimited period of time. Payments are due monthly and range from \$484 to \$1,176.

As of September 30, 2025, the value of the lease liability is \$83,773. The lease has interest rates ranging from 0.49% to 3.72%. The value of the right-to-use asset as of September 30, 2025 is \$80,676, net of accumulated amortization of \$227,470.

Future minimum lease payments as of September 30, 2025, are as follows:

Year Ended September 30,	Principal	Interest	Total
2026	\$ 49,038	1,858	50,896
2027	25,979	849	26,828
2028	8,756	70	8,826
Total	<u>\$ 83,773</u>	<u>2,777</u>	<u>86,550</u>

9. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Travis Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred 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 \$0.0533 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 \$0.1531, \$0.2360, and \$0.5175 per \$100 assessed valuation, respectively. The total 2024 tax levy was \$15,264,046 based on a taxable valuation of \$15,457,338,082.

10. Fund Balances

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

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

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

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

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

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

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 11.

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.

11. 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.

In 2000, the District created the Flintrock Ranch Estates Defined Area. 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 Flintrock Ranch Estates Defined Area debt if the tax rate for payment of debt service on the Defined Area Bonds is greater than \$0.65 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, 2025, the District had committed fund balance related to these impact fees of \$2,412,001.

12. 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.

13. 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.

14. Commitments and Contingencies

The District has entered into construction contracts for the following projects as of September 30, 2025:

Project Name	Remaining Commitments
MWTP Emergency Diesel Generator	\$ 383,930
Storage Tank Rehab	267,300
Flintrock and Serene Hills Effluent Improvements Phase 2	19,548
Flintrock Effluent Improvements Phase 1	14,010
Total remaining commitments	<u>\$ 684,788</u>

The District has entered into several agreements between the District and contractors for construction and engineering expenses related to various projects.

15. Water and Wastewater Contracts

Contract 59757/68356

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 was 50 years, ending on May 23, 2051. On April 18, 2024, Contract 68356 was executed as a replacement for Contract 59757 with the same general terms, to be effective beginning June 2024. Contract 68356 has a term of 40 years, ending in June 2064.

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, 2025, the raw water rate was \$165/acre-feet of water and the Inverted Block Rate was \$330/acre-feet of water. During the current fiscal year, the District incurred costs of \$1,493,112 in relation to Contracts 59757 and 68356 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. The First Amendment to this contract was approved on September 18, 2023 which extended the contract out to April 30, 2024. As of May 1, 2024, this contract is no longer valid.

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, 2025, the minimum monthly fee being charged to the District was \$20,051. The District is also charged \$5.26 per 1,000 gallons of actual flow through the meters. During the current fiscal year, the District incurred \$381,709 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 \$8,000. As of September 30, 2025, the District had purchased 502.5 LUEs from Lakeway. Lakeway charges a monthly volume charge for wastewater that flows through the meter. As of September 30, 2025, the current volume charge is \$11.58 per 1,000 gallons of flow. During the current fiscal year, the District paid Lakeway \$290,681 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^(a)</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>% Collections Total</u>	<u>Year Ended 9/30</u>
2025	\$ 10,304,884,407	\$ 0.0560	\$ 5,770,735	N/A	2026
2024	10,366,242,111	0.0533	5,650,372	97.95%	2025
2023	9,009,412,214	0.0533	5,502,495	97.71%	2024
2022	9,601,188,001	0.0543	5,216,987	97.38%	2023
2021	7,878,177,128	0.0568	4,462,420	98.62%	2022
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

**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^(a)</u>	<u>Tax Rate</u>	<u>Levy</u>	<u>% Collections Total</u>	<u>Year Ended 9/30</u>
2025	\$ 478,194,455	\$ 0.5100	\$ 2,438,792	N/A	2026
2024	501,897,915	0.5175	2,602,523	99.43%	2025
2023	340,589,436	0.5513	2,748,498	98.46%	2024
2022	450,526,056	0.5829	2,626,117	96.83%	2023
2021	330,962,644	0.6250	2,068,143	99.49%	2022
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

(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 2026
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,675,000**

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 April 16, 2026 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.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Bonds, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 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 INC. ("AG"), 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 AG, 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 AG shall have received Notice of Nonpayment, AG 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 AG, 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 AG. 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 AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG 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, AG 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 AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG 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 AG 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 AG 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.

AG 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 AG pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to AG and shall not be deemed received until received by both and (b) all payments required to be made by AG under this Policy may be made directly by AG or by the Insurer's Fiscal Agent on behalf of AG. The Insurer's Fiscal Agent is the agent of AG 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 AG to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, AG 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 AG 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 AG, 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 INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By _____
Authorized Officer

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES