

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS (AS DEFINED IN SECTION 59 (K) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”) FOR PURPOSES OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS). SEE “TAX MATTERS” FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The District has designated the Bonds as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations” herein.

NEW ISSUE—BOOK-ENTRY ONLY
CUSIP No. 421025

**RATINGS: Underlying “Baa2” Moody’s
BAM Insured “AA” (stable outlook) S&P**

See “MUNICIPAL BOND RATING” and “BOND INSURANCE” herein

\$3,730,000

HAYS COUNTY DEVELOPMENT DISTRICT NO. 1

(A political subdivision of the State of Texas, located in Hays County, Texas)

UNLIMITED TAX ROAD BONDS

SERIES 2026

Dated: August 1, 2026

Due: April 1 (as shown below)

Interest on the \$3,730,000 Unlimited Tax Road Bonds, Series 2026 (the “Bonds”) will accrue from August 1, 2026 and will be payable on April 1 and October 1 of each year, commencing April 1, 2027. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of 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” herein. The initial Paying Agent/Registrar for the Bonds is The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See “THE BONDS – Paying Agent/Registrar.”

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company (“BAM”).



MATURITIES, AMOUNTS, INTEREST RATES AND PRICES

<u>Principal Amount</u>	<u>Maturity (April 1)</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>	<u>Principal Amount</u>	<u>Maturity (April 1)</u>	<u>Interest Rate</u>	<u>Yield to Maturity(a)</u>
\$75,000	2029	6.500%	3.000%	\$140,000	2042 (b)	4.000%	4.250%
\$80,000	2030	6.500%	3.000%	\$145,000	2043 (b)	4.125%	4.320%
\$85,000	2031	6.500%	3.050%	\$150,000	2044 (b)	4.250%	4.370%
\$90,000	2032 (b)	5.250%	3.150% (c)	\$160,000	2045 (b)	4.250%	4.450%
\$90,000	2033 (b)	4.000%	3.300% (c)	\$165,000	2046 (b)	4.375%	4.520%
\$95,000	2034 (b)	4.000%	3.400% (c)	\$175,000	2047 (b)	4.375%	4.540%
\$100,000	2035 (b)	4.000%	3.500% (c)	\$180,000	2048 (b)	4.375%	4.560%
\$105,000	2036 (b)	4.000%	3.600% (c)	\$190,000	2049 (b)	4.375%	4.580%
\$110,000	2037 (b)	4.000%	3.750% (c)	\$200,000	2050 (b)	4.500%	4.600%
\$115,000	2038 (b)	4.000%	3.900% (c)	\$210,000	2051 (b)	4.500%	4.610%
\$120,000	2039 (b)	4.000%	4.000%	\$220,000	2052 (b)	4.500%	4.620%
\$125,000	2040 (b)	4.000%	4.100%	\$230,000	2053 (b)	4.500%	4.630%
\$135,000	2041 (b)	4.000%	4.150%	\$240,000	2054 (b)	4.500%	4.640%

- (a) The initial reoffering yields are established by and are the sole responsibility of the Initial Purchaser (hereinafter defined) and may be subsequently changed.
- (b) The Bonds maturing on or after April 1, 2032, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2031, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Optional Redemption.”
- (c) Yield shown to first optional redemption date of April 1, 2031.

The proceeds of the Bonds will be used by Hays County Development District No. 1 (the “District”) to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain road projects serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; and (3) pay certain administrative costs and costs related to the issuance of the Bonds. See “USE OF BOND PROCEEDS.”

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS – Source of and Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Hays County, Texas, the City of Dripping Springs, Texas, or any entity other than the District. Neither the faith and credit nor the taxing power of the State of Texas, Hays County, Texas, or the City of Dripping Springs, Texas is pledged to the payment of the principal of, or interest on, the Bonds. **The Bonds are subject to certain investment considerations described under the caption “RISK FACTORS.”**

The Bonds are offered when, as, and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Johnson Petrov LLP, Houston, Texas, Bond Counsel. The District will be advised on certain legal matters concerning disclosure by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about August 12, 2026.

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USE OF INFORMATION IN 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 representations must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in connection with 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 registered or qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Any information and expressions of opinion herein contained are subject to change 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.

All of the summaries of the statutes, resolutions, 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 Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas 77019, upon payment of duplication costs.

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

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 web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for any purpose.

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under the heading "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid producing the lowest net interest cost to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"), to purchase the Bonds bearing the rates shown on the cover page of this Official Statement at a price of 97.029114% of par plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.537611%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

The Initial Purchaser may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into unit investment trusts) and others at prices lower than the public offering price stated on the cover page hereof. The initial offering price may be changed from time to time by the Initial Purchaser.

Prices and Marketability

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

THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE INITIAL PURCHASER AFTER THE BONDS ARE RELEASED FOR SALE, AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE

BONDS AT LEVELS ABOVE THOSE THAT MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the Securities and Exchange Commission ("SEC") under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION - SEC RULE 15c2-12

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

Annual Reports

The District will provide to the MSRB updated financial information and operating data annually. The information to be updated with respect to the District includes the quantitative financial information and operating data of the District of the general type included in "DISTRICT DEBT" (except for "Estimated Overlapping Debt"), "DISTRICT TAX DATA," and "APPENDIX A" (Independent Auditor's Report and Financial Statements of the District) of this Official Statement. The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2026. The District will provide the updated information to EMMA.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by Rule 15c2-12. The updated information will include audited financial statements if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, the District shall provide unaudited financial statements for the applicable fiscal year to each EMMA within such six-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order 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 may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC").

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change. If the District fails to provide updated information as described above, it will provide timely notice of the failure to the MSRB.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, 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 or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under the Rule. The term

“material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provisions for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from EMMA

The District has agreed to provide the foregoing updated information only to the MSRB. Investors will be able to access, without charge from the MSRB, continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District, if but only if, the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with Rule 15c2-12 taking into account any amendments and interpretations of Rule 15c2-12 to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid but, in either case, only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with all continuing disclosure agreements made in accordance with Rule 15c2-12, with the following exceptions:

In anticipation of the April 1, 2020, due date for payment of interest on the District’s Unlimited Tax Road Bonds, Series 2019 (the “Series 2019 Bonds”), the District’s former bookkeeper neglected to disburse funds to the paying agent/registrar for the Series 2019 Bonds in a timely manner and the paying agent/registrar was therefore unable to transmit funds to the beneficial owners of the Bonds on the due date for such interest payment. As a result, the District failed to pay interest in the aggregate amount of \$97,078.12 on the April 1, 2020, due date for such payment. The District had adequate funds on hand to make the scheduled payment in a timely manner. As noted above, the delinquency was solely due to an oversight by the District’s former bookkeeper, who failed to disburse funds to the paying agent/registrar on or before the scheduled interest payment date. District funds were ultimately disbursed to the paying agent/registrar and the paying agent/registrar paid the April 1, 2020, interest payment. The District has implemented corrective measures to avoid future delinquencies.

In addition, on October 5, 2021, Moody’s assigned a rating of “Baa2” to the District’s underlying credit. The District filed a notice of such rating on December 28, 2021, along with a notice of late filing.

MUNICIPAL BOND RATING

In connection with the sale of the Bonds the District made application to Moody’s Investors Service, Inc. (“Moody’s”) which assigned a rating of “Baa2” on the Bonds based upon the District’s underlying credit without bond insurance. An explanation of the significance of such rating may be obtained from Moody’s. The rating reflects only the view of Moody’s and the District makes no representation as to the appropriateness of such rating. The District can make no assurance that the Moody’s rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by Moody’s if in the judgment of Moody’s circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P Global Ratings (“S&P”) assigned its municipal bond insured rating of “AA” (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. The District can make no assurance that the S&P rating will continue

for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds. See "BOND INSURANCE."

BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com/>.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at <https://www.spglobal.com/en/>. The rating of BAM should be evaluated independently. The rating reflects S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$493.3 million, \$277.6 million and \$215.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at <https://bambonds.com/>, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at <https://bambonds.com/insights/#video>. (The

preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at <https://bambonds.com/credit-profiles/>. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

THE BONDS

- Description:** The \$3,730,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are dated August 1, 2026. The Bonds represent the seventh series of bonds to be issued by Hays County Development District No. 1 (the "District") and the third of such bonds to be issued for the purpose of constructing or acquiring a road system to serve the District. The Bonds mature on April 1 in the years and in the principal amounts set forth on the cover page of this Official Statement. The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, Chapter 8472, Texas Special District Local Laws Code, as amended, an order authorizing the issuance of the Bonds (the "Bond Order") adopted by the Board of Directors of the District, and an election held within the District. See "THE BONDS."
- Source of Payment:** The Bonds are payable from a continuing, direct, annual ad valorem tax upon all taxable property within the District which, under Texas law, is not limited as to rate or amount. The Bonds are obligations of the District and are not obligations of the State of Texas, Hays County, Texas, the City of Dripping Springs, Texas or any other political subdivision or agency. See "THE BONDS – Source of and Security for Payment."
- Redemption Provisions:** The Bonds maturing on or after April 1, 2032, are subject to redemption in whole or from time to time in part, at the option of the District, on April 1, 2031, or on any date thereafter, at a price equal to the par value thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption."
- Book-Entry-Only System:** The Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
- Use of Proceeds:** Proceeds of the Bonds will be used by the District to: (1) reimburse the Developer (hereinafter defined) for advancing funds to construct certain road projects serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; and (3) pay certain administrative costs and costs related to the issuance of the Bonds. See "USE OF BOND PROCEEDS."
- Legal Opinion:** Johnson Petrov LLP, Bond Counsel, Houston, Texas. See "LEGAL MATTERS" and "TAX MATTERS."
- Paying Agent/Registrar:** The Bank of New York Mellon Trust Company, N.A., Houston, Texas. See "THE BONDS – Paying Agent/Registrar."
- Payment Record:** The District has previously issued two (2) series of unlimited tax road bonds for the purpose of constructing or acquiring a road system to serve the District and four (4) series of unlimited tax bonds for the purpose of constructing or acquiring a water, sewer, and drainage system to serve the District, of which \$38,320,000 principal amount was outstanding as of June 1, 2026 (the "Outstanding Bonds"). The District has never defaulted on the payment of principal of or interest on the Outstanding Bonds. See "DISTRICT DEBT."
- Risk Factors:** The Bonds are subject to certain investment considerations, as set forth in this Official Statement. Prospective purchasers should carefully examine this Official Statement with respect to the investment security of the Bonds, particularly the sections captioned "RISK FACTORS" and "LEGAL MATTERS."
- Qualified Tax Exempt Obligations:** The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt bonds (including the Bonds) issued by the District during calendar year 2026 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
- Municipal Bond Rating:** In connection with the sale of the Bonds the District made application to Moody's which assigned a rating of "Baa2" on the Bonds based upon the District's underlying credit without bond insurance. An explanation

of the significance of such rating may be obtained from Moody's. The rating reflects only the view of Moody's and the District makes no representation as to the appropriateness of such rating. See "MUNICIPAL BOND RATING."

Bond Insurance: S&P assigned its municipal bond insured rating of "AA" (stable outlook) to this issue of Bonds with the understanding that upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by BAM. See "MUNICIPAL BOND RATING," "BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

THE DISTRICT

Authority: The District is a political subdivision of the State of Texas. The Hays County Commissioners Court created the District on January 11, 2000 pursuant to Texas Local Government Code Chapter 383. The District was confirmed at an election held on May 6, 2000. On November 7, 2000, voters of the District authorized the issuance of \$120,000,000 in unlimited tax bonds and \$120,000,000 of refunding bonds.

The Texas Legislature passed Senate Bill 1823, effective June 17, 2001, to clarify certain issues surrounding the creation and authority of the District. This included confirmation that "all steps necessary to create the District have been taken" and further clarified and specified powers granted to the District, specifically including the authority to levy, assess and collect ad valorem taxes for the purposes approved in the November 7, 2000, election and the levy, assessment and collection of taxes for maintenance and operating purposes, among others.

The District held a bond election on May 14, 2011, where the voters approved unlimited tax bonds in the amount of \$123,000,000 for water, sewer, and drainage facilities, and refunding bonds in the amount of \$150,000,000 for the purpose of refunding water, sewer, and drainage bonds previously issued. In addition, the voters approved unlimited tax bonds in the amount of \$55,000,000 for road facilities and refunding bonds in the amount of \$70,000,000 for the purpose of refunding road bonds previously issued. Finally, the voters approved economic development bonds pursuant to Texas Constitution Article III, Section 52-a in the amount of \$123,000,000 and concomitant refunding bonds of up to \$150,000,000.

The Texas Legislature then passed House Bill 4184, effective June 18, 2015, which further clarified the District's creation, authority and confirmed actions and elections of the District. See "THE DISTRICT – Authority."

Description and Location:

The District, as it was originally created, included approximately 591 acres, which represents the Caliterra Subdivision (the "Caliterra Subdivision"). Since its creation, the District has annexed certain tracts of land, including 197 acres to be known as "The Ranch at Caliterra Subdivision." The District presently includes approximately 792 acres. The Caliterra Subdivision is located approximately 1.4 miles south of the intersection of Ranch Road 12 and U.S. Highway 290. The Ranch at Caliterra Subdivision is located approximately one (1) mile south of the intersection of U.S. Highway 290 and Roger Hanks Parkway. The District is located within the exclusive extraterritorial jurisdiction of the City of Dripping Springs, Texas (the "City") with approximately 23 acres of the District located within the corporate limits of the City, and is located within the boundaries of Dripping Springs Independent School District. The District is located approximately 21 miles west of the central business district of the City of Austin, Texas. Residents gain access to the District by traveling south on Ranch Road 12 from the central business district of the City and west on Caliterra Parkway. See "THE DISTRICT – Description and Location."

Development of the District:

The District is being developed for predominantly single-family residential purposes in the Caliterra Subdivision. Homebuilding in the District has taken place in Caliterra, Phase 1 Sections 1 – 4, Phase 2 Sections 7 – 8, Phase 3 Sections 9-10, Phase 4 Sections 11 – 12, and Phase 5 Sections 13-14. As of June 1, 2026, the District included approximately 570 completed homes (approximately 567 of which were occupied), approximately 13 homes under construction (approximately 12 of which were under contract or sold to homebuyers), and approximately 33 vacant developed single-family residential lots available for homebuilding. See "THE DISTRICT – Status of Residential Development."

Summary of Land Use: As of June 1, 2026, the District included approximately 292 acres that have been developed with utilities and improved for single-family residential purposes, 200 acres currently under development, approximately 18 acres available for future development, and approximately 282 undevelopable acres, which includes recreational facilities, detention ponds, water quality ponds, road rights-of-way, easements, floodplains, treated effluent spray fields, and open spaces. See "THE DISTRICT – Summary of Land Use."

The Developer: The original developer of the District was Development Solutions CAT, LLC, a Delaware limited liability company and a special purpose entity created solely for the purpose of developing the land within the

District and marketing developed lots and developed tracts of land in the District. On December 13, 2021, the assets and obligations of Development Solutions CAT, LLC were acquired by CF CSLK CALITERRA LLC, a Delaware limited liability company (herein the “Developer”). The Developer is a special purpose entity created solely for the purpose of developing the land within the District and marketing developed lots and developed tracts of land in the District. The sole member of the Developer (the “Sole Member”) is controlled by a private investment manager.

The Developer has entered into a development management agreement on December 13, 2021 (herein the “Management Agreement”) with SR Capital Management (previously Caliterra Allegiant Development, LLC and referred to herein as the “Development Manager”) to provide for management of the day-to-day land development activities associated with the initiation and completion of the land development project within the District. These management activities include pre-development coordination and supervision of Developer’s consultants and professionals, execution of the approved project plans and specifications, and supervising lot marketing and sales. The Development Manager includes several individuals that have worked together on real estate investments over the course of the last several years. Management of the Development Manager is handled by James A. Siepiela and Gregory L. Rich, who have the primary responsibility for managing the affairs thereof. Mr. Siepiela and Mr. Rich have a combined 85 years of experience developing projects in Texas and have worked together on land development projects for the past 33 years. See “THE DISTRICT’S DEVELOPER – Description of the Developer.”

Homebuilders: Homes in the District are being marketed and sold in various price ranges and are being constructed on various lot sizes, including 60-foot, 65-foot, 70-foot, 80-foot, 100-foot, 110-foot and 125-foot lots. The homebuilders that are currently active in the District include Drees Homes, Scott Felder Homes, Pulte Homes, Sterling Custom Homes, Arbogast Custom Homes, Lake Travis Builders, Alkire Construction, Atlas Builders and Sommerfeld Custom Homes (the “Homebuilders”). The Homebuilders are marketing and selling homes in the \$500,000 - \$4,000,000 price range. See “THE DISTRICT – Status of Residential Development” and “THE DISTRICT – Status of Residential Development.”

Water System: The District receives potable water from the Dripping Springs Water Supply Corporation (“DSWSC”). The District, DSWSC and Developer executed a contract in August 2013 for 550 living-unit equivalents (“LUEs”) to service a majority of the Caliterra Subdivision, the term of which is for fifteen years with up to three five-year extensions and then executed a separate contract in October 2024 for an additional 433 LUEs to serve the remainder of the District, including the remainder of Caliterra Subdivision and the Ranch at Caliterra Subdivision, the term of which is for twenty years. The two water supply contracts are collectively referred to as the “Agreements”. The Agreements, for a total of 983 LUEs, are expected to provide sufficient total water capacity for the District based on the Developer’s current land plans for the District. The Agreements provide that the Developer, on the District’s behalf, shall make capital contribution payments for purchase of capacity in the DSWSC’s water facilities as well as reservation fees for the reservations of such capacity until such time as the lots are developed to receive water service. As of June 1, 2026, to the District’s best knowledge, the Developer has made all the capital contribution payments pursuant to the Agreements and is up to date with respect to reservation fee payments. See “THE SYSTEM.”

Wastewater System: Wastewater treatment services are provided to the District by the City of Dripping Springs pursuant to the Second Amended and Restated Wastewater Service and Impact Fee Agreement (herein the “Wastewater Agreement”). The Wastewater Agreement provides for certain impact fees or connection fees to be paid by the Homebuilders at such time that a connection is added to the wastewater system. The residents of the District pay monthly sewer bills to the City pursuant to the City’s Wastewater Ordinance and the City is responsible for the operation and maintenance of the wastewater collection lines in the District. The District also has a permit issued on June 19, 2025, to discharge wastes under provisions of Chapter 26 of the Texas Water Code for wastewater from the Ranch at Caliterra Subdivision should the City not have the available capacity. See “THE SYSTEM.”

Drainage System: The District’s drainage system currently includes collection systems, detention facilities, water quality ponds, and drainage channels that carry water to Onion Creek and thence to the Colorado River. See “THE SYSTEM.”

SELECTED FINANCIAL INFORMATION
(Unaudited)

January 1, 2026 Preliminary Assessed Valuation	\$436,628,919	(a)
2025 Certified Taxable Valuation	\$405,538,117	(b)
Direct Debt:		
Outstanding Bonds (as of June 1, 2026)	\$38,320,000	
The Bonds	<u>\$3,730,000</u>	
Total Direct Debt	\$42,050,000	
Estimated Overlapping Debt	<u>\$39,595,117</u>	(c)
Direct and Estimated Overlapping Debt	\$81,645,117	(c)
Percentage of Direct Debt to:		
January 1, 2026 Preliminary Assessed Valuation	9.63%	
2025 Certified Taxable Valuation	10.37%	
Percentage of Direct and Estimated Overlapping Debt to:		
January 1, 2026 Preliminary Assessed Valuation	18.70%	
2025 Certified Taxable Valuation	20.13%	
2025 Tax Rate Per \$100 of Assessed Value:		
Water, Sewer and Drainage Debt Service Tax	\$0.46	
Road Debt Service Tax	\$0.13	
Maintenance Tax	<u>\$0.31</u>	
Total 2025 Tax Rate	\$0.90	
Cash and Temporary Investment Balances as of June 11, 2026:		
General Fund	\$2,489,544	(d)
Water, Sewer and Drainage Debt Service Fund	\$1,656,761	(e)
Road Debt Service Fund	\$480,708	(e)

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- (a) Reflects data supplied by Hays CAD. The Preliminary Assessed Valuation as of January 1, 2026, was prepared by Hays CAD and provided to the District for informational purposes only. Such value is not binding on Hays CAD. Any value resulting from new construction since January 1, 2026 will not be included on the District's tax roll until the 2027 tax roll is prepared and certified by Hays CAD during the second half of 2027. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by Hays CAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "– Estimated Overlapping Debt" herein.
- (d) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (e) Unaudited figures per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Water, Sewer and Drainage Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. Likewise, the cash and investment balances in the Water, Sewer and Drainage Debt Service Fund will not be available to make debt service payments on the District's road bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements on the District's Outstanding Bonds and the debt service requirements for the Bonds.

<u>Year</u>	<u>Outstanding Debt Service Requirements</u>	<u>Plus: Debt Service on the Bonds</u>		<u>Total Debt Service Requirements</u>
		<u>Principal</u>	<u>Interest</u>	
2026	\$2,466,392	-	-	\$2,466,392
2027	\$2,466,554	-	\$193,018	\$2,659,572
2028	\$2,478,087	-	\$165,444	\$2,643,531
2029	\$2,490,152	\$75,000	\$163,006	\$2,728,158
2030	\$2,475,786	\$80,000	\$157,969	\$2,713,755
2031	\$2,480,842	\$85,000	\$152,606	\$2,718,449
2032	\$2,514,030	\$90,000	\$147,481	\$2,751,512
2033	\$2,506,230	\$90,000	\$143,319	\$2,739,549
2034	\$2,493,330	\$95,000	\$139,619	\$2,727,949
2035	\$2,527,798	\$100,000	\$135,719	\$2,763,517
2036	\$2,533,849	\$105,000	\$131,619	\$2,770,468
2037	\$2,523,558	\$110,000	\$127,319	\$2,760,877
2038	\$2,526,849	\$115,000	\$122,819	\$2,764,667
2039	\$2,561,273	\$120,000	\$118,119	\$2,799,392
2040	\$2,566,926	\$125,000	\$113,219	\$2,805,145
2041	\$2,549,727	\$135,000	\$108,019	\$2,792,745
2042	\$2,603,840	\$140,000	\$102,519	\$2,846,359
2043	\$2,608,602	\$145,000	\$96,728	\$2,850,330
2044	\$2,609,750	\$150,000	\$90,550	\$2,850,300
2045	\$2,631,850	\$160,000	\$83,963	\$2,875,812
2046	\$2,619,761	\$165,000	\$76,953	\$2,861,714
2047	\$1,990,628	\$175,000	\$69,516	\$2,235,143
2048	\$2,009,092	\$180,000	\$61,750	\$2,250,842
2049	\$1,737,366	\$190,000	\$53,656	\$1,981,023
2050	\$1,735,936	\$200,000	\$45,000	\$1,980,936
2051	\$849,713	\$210,000	\$35,775	\$1,095,488
2052	-	\$220,000	\$26,100	\$246,100
2053	-	\$230,000	\$15,975	\$245,975
2054	-	<u>\$240,000</u>	<u>\$5,400</u>	<u>\$245,400</u>
TOTALS	\$61,557,920	\$3,730,000	\$2,883,177	\$68,171,097

Maximum Annual Debt Service Requirements (2045).....\$2,875,812 (a)

Requires a \$0.70 debt service tax rate on the January 1, 2026 Preliminary Assessed Valuation
of \$436,628,919 at 95% collections\$2,903,582 (a)

Requires a \$0.75 debt service tax rate on the 2025 Certified Taxable Value of \$405,538,117
at 95% collections\$2,889,459 (a)

(a) A certain portion of the maximum annual debt service requirement will be paid for with the District's water, sewer and drainage debt service tax rate and a certain portion will be paid for with the District's road debt service tax rate. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

OFFICIAL STATEMENT

relating to

\$3,730,000

HAYS COUNTY DEVELOPMENT DISTRICT NO. 1
(A political subdivision of the State of Texas located within Hays County, Texas)

UNLIMITED TAX ROAD BONDS
SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance of the \$3,730,000 Hays County Development District No. 1 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, an order adopted by the Board of Directors of Hays County Development District No. 1 (the "District") authorizing the issuance of the Bonds (the "Bond Order"), and an election held within the District.

This Official Statement includes descriptions of the Bonds, the Bond Order and certain information about the District and its financial condition and the Developer in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel upon payment of duplication costs thereof.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas, Hays County, Texas, the City of Dripping Springs, Texas (the "City"), or any other political subdivision. The Bonds are payable from a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District. See "THE BONDS – Source of and Security for Payment." The investment quality of the Bonds depends on the ability of the District to collect all taxes levied against the taxable property within the District and, in the event of foreclosure of the District's tax lien, on the marketability of the property and the ability of the District to sell the property at a price sufficient to pay taxes levied by the District and by other overlapping taxing authorities. The District cannot and does not make any representations that over the life of the Bonds the taxable property within the District will accumulate or maintain taxable values sufficient to justify the continued payment of taxes by property owners.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the spread between the bid and asked price of more traditional issuers, as such bonds are generally bought, sold or traded in the secondary market.

Tax Collections

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 state and local taxing authorities on the property against which taxes are levied, and such lien may be impaired by: (a) repetitive, annual, expensive collection procedures, (b) a federal bankruptcy court's stay of tax collection procedures, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding.

Registered Owners' Remedies

If the District defaults in the payment of principal of, interest on, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions

prescribed in the Bond Order. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interests 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages. Even if such sovereign immunity were waived and a judgment against the District for money damages were obtained, the judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property 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 a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Specifically, the District may voluntarily file a petition for protection from creditors under the federal bankruptcy laws. During the pendency of the bankruptcy proceedings, the remedy of mandamus would not be available to the Registered Owners unless authorized by a federal bankruptcy judge.

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (a) is generally authorized to file for federal bankruptcy protection by the State law; (b) is insolvent or unable to meet its debts as they mature; (c) desires to effect a plan to adjust such debts; and (d) 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, the District must obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial condition of the District and authorize the District to proceed only if the 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' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect 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 the district.

A district cannot be placed into bankruptcy involuntarily.

Approval of the Bonds

As required by law, 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 safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Economic Factors

Long-term interest rates affect home purchasers' ability to qualify for and afford the total financing costs of a new home. The return of long-term interest rates at higher levels may negatively affect home sales and the maintenance of taxable values in the District.

Alternative sites are available for the construction of single-family residential improvements within the market area in which the District is located. Such sites could pose competition to the continued homebuilding development on comparable sites within the District.

Landowners/Developer under No Obligation to the District

The Developer does not have any commitments or obligations to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District. Currently, there is no restriction on any Developer to sell its land. Failure to construct taxable improvements on developed lots (previously created or anticipated to be created by the Developer) and failure of the Developer to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon certain principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such conditions may have on their ability to pay taxes. See "DISTRICT TAX DATA – Principal Taxpayers."

Utility Operations

The District receives potable water from the Dripping Springs Water Supply Corporation ("DSWSC"). The District, DSWSC and Developer executed a contract in August 2013 for 550 living-unit equivalents ("LUEs") to service a majority of the Caliterra Subdivision, the term of which is for fifteen years with up to three five-year extensions and then executed a separate contract in October 2024 for an additional 433 LUEs to serve the remainder of the District, including the remainder of Caliterra Subdivision and the Ranch at Caliterra Subdivision, the term of which is for twenty years. The two water supply contracts are collectively referred to as the "Agreements". The Agreements, for a total of 983 LUEs, are expected to provide sufficient total water capacity for the District based on the Developer's current land plans for the District. The Agreements provide that the Developer, on the District's behalf, shall make capital contribution payments for purchase of capacity in the DSWSC's water facilities as well as reservation fees for the reservations of such capacity until such time as the lots are developed to receive water service. As of June 1, 2026, to the District's best knowledge, the Developer has made all the capital contribution payments pursuant to the Agreements and is up to date with respect to reservation fee payments.

The District receives wastewater service from the City based on terms of the Second Amended and Restated Wastewater Service and Impact Fee Agreement (the "Wastewater Agreement") effective on April 13, 2014. Pursuant to the Wastewater Agreement, the residents of the District pay monthly sewer bills to the City pursuant to the City's Wastewater Ordinance and the City is responsible for the operation and maintenance of the wastewater collection lines in the District. Additionally, the City agrees to provide wastewater service up to 168,000 gallon per day for the estimated ultimate build-out of the District which is anticipated to be approximately 983 LUEs based on current land plans (including the Caliterra Subdivision and the land under development within The Ranch at Caliterra Subdivision). The City has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development, although the District may have to treat wastewater from the Ranch at Caliterra Subdivision on an interim basis while the City completes improvements to its wastewater treatment plant to increase capacity. The District received a permit from the TCEQ issued on June 19, 2025 for discharge of wastewater under the provisions of Chapter 26 of the Texas Water Code to treat up to 0.041 MGD via 35 acres of surface irrigation. If necessary, the District will provide wastewater service to the Ranch at Caliterra Subdivision under its TCEQ permit, which is expected to be sufficient for the projected build-out of the Ranch at Caliterra, until the City completes its wastewater treatment plant improvements. As part of the Wastewater Agreement, the Developer constructs facilities necessary for the City's wastewater land application within the District as sections are developed or facilities needed by the City. Approximately 118 acres of treated effluent surface irrigation spray fields will be required have been constructed to treat 0.186 MGD as required by the Wastewater Agreement. The treated effluent spray field facilities are have been conveyed to the District to own, operate, and maintain. See "THE SYSTEM."

Operating Funds

Landowners within the District receive water service from the DSWSC and wastewater service from the City. Accordingly, the District does not operate the water and wastewater system and therefore does not receive payments from customers for water and wastewater service on a monthly basis. Prior to 2022, pursuant to the terms and conditions of the lot sale contracts by and between the Developer and the Homebuilders and a resolution adopted by the District, the District received a water and wastewater facility fee from the Homebuilders each time a tap was made for a residential home located in the District. The water and wastewater facility fee was intended to defray the costs of service availability and connection to the water and wastewater system within the District and fluctuated with homebuilding activity. The District amended its resolution regarding the payment of water and wastewater facility fees payable by the Homebuilders to the District. The amended resolution terminated such requirement of the Homebuilders to pay the water and wastewater facility fees to the District and, therefore, the District no longer receives revenues from such fee into its General Fund.

The District has set a 2025 maintenance tax in the amount of \$0.31 per \$100 of assessed valuation. The revenue produced from the maintenance tax must be sufficient to offset the District's operating expenses. The District's 2025 maintenance tax levy amount is approximately \$1,257,168, which will be deposited into the District's General Fund. As of June 11, 2026, the District's General Fund had an unaudited cash and investment balance of \$2,489,544. For the fiscal year ending December 31, 2026, the District's General Fund is currently budgeting revenues of \$1,309,028 and expenditures of \$1,047,460. The Developer has made certain operating advances to the District since 2014. Continued maintenance of a positive General Fund balance may depend upon: (1) development and increased amounts of maintenance tax revenue, and (2) cash subsidies from the Developer from time to time, if necessary. The inability of the Developer to subsidize the District's operations, if necessary, could result in a tax rate increase in the District. If the District's General Fund is depleted, the District will be required to levy a maintenance tax at a rate sufficient to fund

operating expenses. Such tax, when added to the District's debt service tax rates, may result in a total District tax which could adversely affect continued development of the District, as well as the willingness of the taxpayers to pay taxes on their property. The District currently plans to manage its debt service and operating expenditure requirements with a total tax rate of \$0.90 per \$100 of assessed valuation. The District is not currently budgeting, nor anticipating the need for, any operating advances for the foreseeable future. See "THE SYSTEM – General Fund Operating History" and "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Dependence on Major Taxpayers and the Developer

Based on the 2025 certified tax roll as provided by Hays CAD, the District's principal taxpayers are comprised of the Developer, certain Homebuilders and homeowners which collectively represent \$28,068,931 of assessed value, or approximately 3.03% of the District's 2025 certified assessed valuation. If the Developer and the Homebuilders were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds and the Outstanding Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its Water, Sewer and Drainage Debt Service Fund or Road Debt Service Fund. See "Tax Collections" herein, "DISTRICT TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

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

Development and Home Construction in the District

The District includes vacant developed lots that remain available for home construction and which are either owned by the Homebuilders or the Developer. Failure of the Developer or the Homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and other tax supported obligations of the District. Future increases in value will result primarily from the construction of homes by builders. See "Dependence on Major Taxpayers and the Developer" herein.

Dependence on Future Development and Potential Impact on District Tax Rates

The District's 2025 tax rate is \$0.90 per \$100 of assessed valuation (including operations and maintenance and debt service), which is in line with the tax rate that is common among many other utility districts providing similar services located in Hays County, Texas. An increase in the District's tax rate substantially above such a level could have an adverse impact on future development in the District and on the District's ability to collect such tax.

Assuming no further construction of residential or building development projects within the District other than those that have been constructed, the value of such land and improvements currently located and under construction within the District could be a major determinant of the ability of the District to collect, and the willingness of property owners to pay, ad valorem taxes levied by the District. After issuance of the Bonds, the Maximum Annual Debt Service Requirement will be \$2,875,812 (2045). The January 1, 2026 Preliminary Assessed Valuation of property within the District is \$436,628,919. Assuming no increase or decrease from January 1, 2026 Preliminary Assessed Valuation and no use of other District funds, a combined water, sewer and drainage debt service tax rate and road debt service tax rate of \$0.70 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. The 2025 Certified Taxable Valuation of property within the District is \$405,538,117. Assuming no increase or decrease from the 2025 Certified Taxable Valuation and no use of other District funds, a combined water, sewer and drainage debt service tax rate and road debt service tax rate of \$0.75 per \$100 of assessed valuation at 95% collection rate would be necessary to pay the Maximum Annual Debt Service Requirement. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue."

Future Debt

Pursuant to an election held for and within the District on May 14, 2011 (the "2011 Election"), the duly authorized registered voters of the District authorized the District to: (i) issue bonds in the aggregate principal amount of \$123,000,000 for the purpose or purposes of financing water, sewer, and drainage facilities pursuant to Article XVI, Section 59 of the Texas Constitution; (ii) issue bonds in the aggregate principal amount of \$55,000,000 for the purpose or purposes of financing roads, streets, and related appurtenances pursuant to Article III, Section 52 of the Texas Constitution, which shall include but not be limited to the construction, maintenance and operation of roads; (iii) issue bonds in the aggregate principal amount of \$123,000,000 for the purpose or purposes of a loan or loans in connection with a legislatively authorized program related to economic development pursuant to Article III, Section

52-a of the Texas Constitution, which shall include, but is not limited to a golf course, clubhouse, and hotel. After the issuance of the Bonds, \$91,700,000 bonds for the purpose or purposes of financing water, sewer, and drainage facilities will remain authorized but unissued; \$41,855,000 bonds for the purpose or purposes of financing roads, streets, and related appurtenances will remain authorized but unissued; and \$123,000,000 bonds for the purposes or purposes of a loan or loans in connection with a legislatively authorized program related to economic development will remain authorized but unissued. Depending upon the District's future issuance of tax-supported debt and the development of the District's tax base, increases in the District's annual ad valorem tax rate may be required to provide for the payment of principal of and interest on the District's current bonded indebtedness and any future tax-supported debt issued by the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and approved by the Board of Directors).

Financing Road Facilities

The District is authorized to develop road facilities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue road bonds payable from taxes, approval of the bonds by the Attorney General of Texas would be required. The outstanding principal amount of any road bonds issued by the District may not exceed an amount equal to twenty-five percent of the value of taxable real property in the District. The District conducted a road bond election that authorized \$55,000,000 of road bonds at an election held on May 14, 2011, of which \$41,855,000 remain authorized but unissued. The levy of taxes for such purposes may dilute the security for the Bonds. See "THE ROADS."

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."

Environmental Regulations

Wastewater treatment, water supply, storm sewer facilities and construction activities within the District are subject to complex environmental laws and regulations at the federal, state and local levels that may require or prohibit certain activities that affect the environment, such as:

- Requiring permits for construction and operation of water wells, wastewater treatment and other facilities;
- Restricting the manner in which wastes are treated and released into the air, water and soils;
- Restricting or regulating the use of wetlands or other properties; or
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the Austin area. Under the Clean Air Act ("CAA") Amendments of 1990, the five-county Austin area ("Austin Area")—Travis, Hays, Williamson, Bastrop, and Caldwell Counties—has been designated an attainment/unclassifiable area under two separate federal ozone standards: the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 ("the 2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 ("the 2015 Ozone Standard").

Although the Austin Area is currently in attainment, the Austin Area has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that the Austin 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. In the past, the Austin Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. Since 2004, the Austin Area has been party to a curtailment agreement with the TCEQ, and the Austin Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the Austin Area. It is possible that additional controls will be necessary to allow the Austin Area to maintain attainment with the ozone standards. Such additional controls could have a negative impact on the Austin Area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility 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 Area. A municipal utility 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 municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000) ("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 municipal utility district must comply may have an impact on the municipal utility district's ability to obtain and maintain compliance with TPDES permits.

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

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

Changes in Tax Legislation

Certain tax legislation, whether currently proposed or proposed in the future, may directly or indirectly reduce or eliminate the benefit of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, may also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed, pending, or future legislation.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such

times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by an issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the District unless BAM chooses to pay such amounts at an earlier date.

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

In the event BAM 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 BAM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of BAM and its claim paying ability. BAM'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 BAM and of the ratings on the Bonds insured by BAM will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of "BOND INSURANCE" herein.

The obligations of BAM are contractual obligations and in an event of default by BAM, 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 have made independent investigation into the claims paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of BAM, particularly over the life of the investment. See "BOND INSURANCE" herein for further information provided by BAM and the Policy, which includes further instructions for obtaining current financial information concerning BAM.

Drought Conditions

Central Texas, including the area in and around the District in Hays County, like other areas of the State, is susceptible to periods of extreme drought conditions. If drought conditions occur, water usage and rates could be impacted. As of May 23, 2025, the DSWSC implemented Stage 4 of its Drought Contingency Plan to reduce outdoor irrigation use and limit or prohibit other nonessential uses. Stage 4 water restrictions mandate that irrigation of outdoors may occur no more than once per week during specified hours on the scheduled days. The District cannot predict how long the DSWSC will maintain such measures or when such measures will be increased or decreased in scope due to the drought conditions in Hays County.

Storm Water

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14"). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on higher statistical rainfall amount, resulting in interim flood plain 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 flood plain. See "THE SYSTEM – 100-Year Flood Plain."

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.

USE OF BOND PROCEEDS

Proceeds of the Bonds will be used by the District to: (1) reimburse the Developer for advancing funds to construct certain road projects serving the District and associated engineering and testing costs; (2) fund developer interest related to the advancement of funds for certain construction costs; and (3) pay certain administrative costs and costs related to the issuance of the Bonds.

The Engineer has advised the District that the proceeds listed below should be sufficient for the acquisition of such facilities. The District's present estimate of the use of proceeds of the Bonds is as follows:

<u>CONSTRUCTION COSTS</u>	<u>Total Amount</u>
Caliterra Phase 1, Sections 1 & 2 – Streets	\$82,907
Caliterra Phase 1, Sections 3 & 4 – Streets	\$368,620
Caliterra Phase 1, Sections 5 – Streets	\$50,860
Caliterra Phase 2, Sections 7 & 8 – Streets	\$1,800,320
Caliterra Phase 3, Section 9 – Street	\$395,000
TOTAL CONSTRUCTION COSTS	\$2,697,707 (a)
<u>NON-CONSTRUCTION COSTS</u>	
Legal Fees	\$111,900
Fiscal Agent Fees	\$74,600
Interest Costs:	
Developer Interest	\$651,903
Bond Discount	\$110,814
Bond Issuance Expenses	\$63,340
Bond Engineering Fee	\$14,920
Attorney General Fee	\$3,730
Contingency	\$1,086 (b)
TOTAL NON-CONSTRUCTION COSTS	\$1,032,293
TOTAL BOND ISSUE REQUIREMENT	<u>\$3,730,000</u>

(a) Represents a portion of the developer reimbursable costs for road facilities in the District. Additional costs for road facilities are anticipated to be funded with future District bond issues.

(b) Represents the difference between the estimated and actual amount of Bond Discount. Such funds may be used by the District only after approval by the Board of Directors and in accordance with the provisions of the Bond Order.

THE DISTRICT

Authority

The District is a political subdivision of the State of Texas. The Hays County Commissioners Court created the District on January 11, 2000 pursuant to Texas Local Government Code Chapter 383. The District was confirmed at an election held on May 6, 2000. On November 7, 2000, voters of the District authorized the issuance of \$120,000,000.00 in unlimited tax bonds and \$120,000,000.00 of refunding bonds.

The Texas Legislature passed SB 1823, effective June 17, 2001, to clarify certain issues surrounding the creation and authority of the District. This included confirmation that "all steps necessary to create the District have been taken" and further clarified and specified powers granted to the District, specifically including the authority to levy, assess and collect ad valorem taxes for the purposes approved in the November 7, 2000, election and the levy, assessment and collection of taxes for maintenance and operating purposes, among others.

The District held a bond election on May 14, 2011, where the voters approved the District to assume Road Powers pursuant to Article III, Section 52 of the Texas Constitution. The voters also approved unlimited tax bonds in the amount of \$123,000,000 for water, sewer, and drainage facilities, and refunding bonds in the amount of \$150,000,000 for the purpose of refunding water, sewer, and drainage bonds previously issued. In addition, the voters approved unlimited tax bonds in the amount of up to \$55,000,000 for road facilities, and refunding bonds in the amount of \$70,000,000 for the purpose of refunding road bonds previously issued. Finally, the voters approved economic development bonds pursuant to Texas Constitution Article III, Section 52-a in the amount of \$123,000,000 and concomitant refunding bonds of up to \$150,000,000 for purposes of refunding previously issued economic development bonds.

The Texas Legislature then passed HB 4184, effective June 18, 2015, which further clarified the District's creation, authority and confirmed actions and elections of the District.

Description and Location

The District, as it was originally created, included approximately 591 acres, which represents the Caliterra Subdivision. Since its creation, the District has annexed certain tracts of land, including 197 acres to be known as The Ranch at Caliterra Subdivision. The District presently includes approximately 792 acres. The Caliterra Subdivision is located approximately 1.4 miles south of the intersection of Ranch Road 12 and U.S. Highway 290. The Ranch at Caliterra Subdivision is located approximately one (1) mile south of the intersection of U.S. Highway 290 and Roger Hanks Parkway and is expected to have approximately 234 single-family lots. The District is located within the exclusive extraterritorial jurisdiction of the City of Dripping Springs, Texas (the "City") with approximately 23 acres of the District located within the corporate limits of the City, and is located within the boundaries of Dripping Springs Independent School District. The District is located approximately 21 miles west of the central business district of the City of Austin, Texas. Residents gain access to the District by traveling south on Ranch Road 12 from the central business district of the City and west on Caliterra Parkway.

Summary of Land Use

A summary of the approximate land use in the District as of June 1, 2026, appears in the following table:

<u>Type of Land Use</u>	<u>Acres (approx.)</u>
Fully Developed Acres	292
Acres Currently Being Developed (a)	200
Additional Developable Acreage (b)	18
Undevelopable Acres (c)	<u>282</u>
Total Approximate Acres	792

-
- (a) Represents additional land located within the District that is currently being developed and under construction. Known as The Ranch at Caliterra Subdivision.
- (b) Represents additional land located within the District that may be developed in time in the future. Such area additionally includes all other acreage in the District that remains to be developed, including acreage that may become rights-of-way, open spaces, or easements in the future.
- (c) Represents all of the land in the District that is not attributable to a single-family residential lot and includes recreational facilities, detention ponds, water quality ponds, road rights-of-way, easements, floodplains, effluent spray fields, and open spaces.

Status of Residential Development

The District is being developed for predominantly single-family residential purposes in the Caliterra Subdivision. Homebuilding within the Caliterra Subdivision commenced on or about August of 2015. The following table is a tabulation of the approximate status of single-family residential development as of June 1, 2026.

<u>Subdivision/Section</u>	<u>Total Lots</u>	Homes		<u>Vacant Lots</u>
		<u>Completed</u>	<u>Under Construction</u>	
Caliterra, Phase 1 Sections 1 – 3 (a)	107	105	0	2
Caliterra, Phase 1 Section 4 (b)	18	16	1	1
Caliterra, Phase 1 Section 5 (c)	0	0	0	0
Caliterra, Phase 1 Section 6 (d)	0	0	0	0
Caliterra, Phase 2 Section 7 (e)	114	114	0	0
Caliterra, Phase 2 Section 8 (f)	89	88	1	0
Caliterra, Phase 3 Section 9 (g)	82	82	0	0
Caliterra, Phase 3 Section 10 (g)	25	0	5	20
Caliterra, Phase 4 Section 11 (h)	103	101	2	0
Caliterra, Phase 4 Section 12 (i)	42	41	0	1
Caliterra, Phase 5 Section 13 (j)	11	9	0	2
Caliterra, Phase 5 Section 14 (k)	25	14	4	7
TOTALS	616	570 (k)	13 (k)	33

(a) Homes in Caliterra, Phase 1 Sections 1 – 3 are being constructed by Drees Homes and Scott Felder Homes and are currently being marketed and sold in the \$600,000 - \$1,200,000 price range.

(b) Homes in Caliterra, Phase 1 Section 4 are being constructed by Sterling Custom Homes, Arborgast Custom Homes, Lake Travis Builders, Alkire Construction, Atlas Builders and Sommerfeld Custom Homes, and are currently being marketed and sold in the \$1,200,000 - \$2,500,000 price range.

(c) Represents open space land located in and around Onion Creek. Caliterra, Phase 1 Section 5 currently includes no developed lots and no lots are planned for future development.

(d) Caliterra, Phase 1 Section 6 is currently platted as one (1) lot and fronts Ranch Road 12. Caliterra, Phase 1 Section 6 has not been developed, nor is it in the process of being developed.

(e) Homes in Caliterra, Phase 2 Section 7 are being constructed by Drees Homes, and Scott Felder Homes and are currently being marketed and sold in the \$750,000 - \$900,000 price range.

(f) Homes in Caliterra, Phase 2 Section 8 are being constructed by Drees Homes and Scott Felder Homes, and are currently being marketed and sold in the \$650,000 - \$1,200,000 price range.

(g) Homes in Caliterra, Phase 3 Section 9 are being constructed by Pulte Homes and are currently being marketed and sold in the \$500,000-\$700,000 price range. Homes in Caliterra, Phase 3 Section 10 are being constructed by Drees Homes and Lake Travis Builders, Alkire Construction, and Atlas Builders and are currently being marketed and sold in the \$1,200,000-\$4,000,000 price range.

(h) Homes in Caliterra, Phase 4 Section 11 are being constructed by Pulte Homes, Drees Homes, and Scott Felder Homes, and are currently being marketed and sold in the \$500,000 - \$1,000,000 price range.

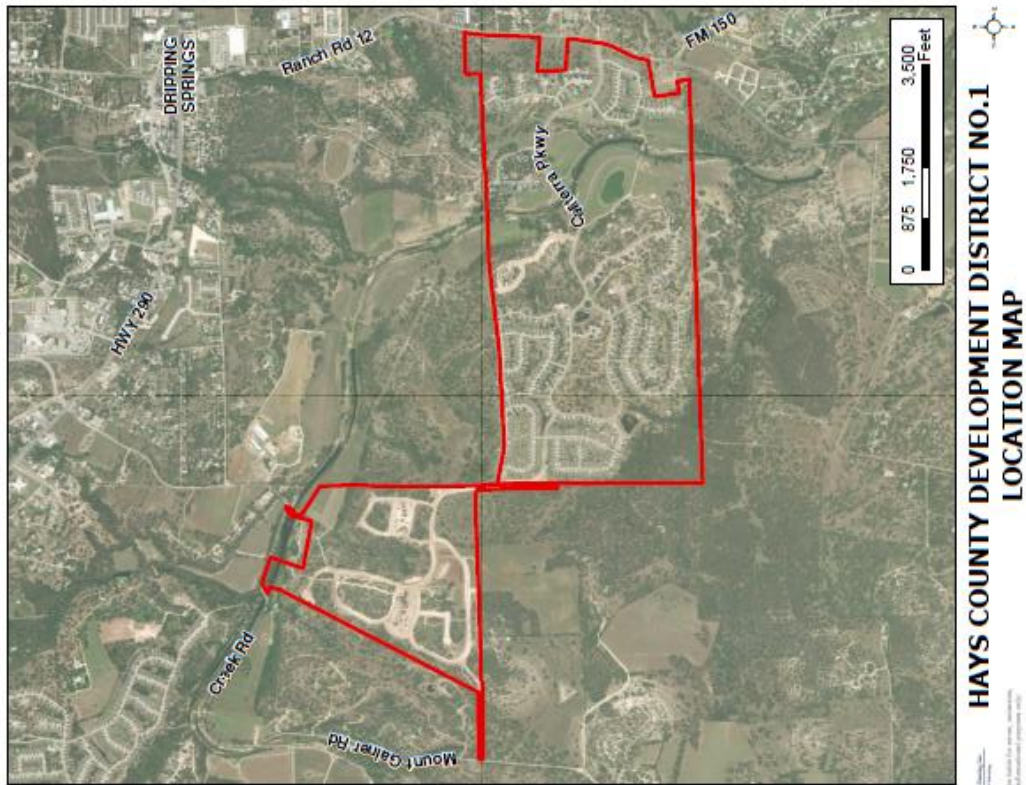
(i) Homes in Caliterra, Phase 4 Section 12 are being constructed by Drees Homes and Scott Felder Homes, and are currently being marketed and sold in the \$800,000 - \$1,400,000 price range.

(j) Homes in Caliterra, Phase 5 Section 13 are being constructed by Drees Homes and Scott Felder Homes and are expected to be marketed and sold in the \$750,000 - \$1,000,000 price range.

(k) Homes in Caliterra, Phase 5 Section 14 are being constructed by Drees Homes and are expected to be marketed and sold in the \$1,200,000 - \$1,800,000 price range.

As of June 1, 2026, approximately 567 of the 570 completed homes were occupied and 3 homes are models. 12 of the 13 homes under construction were under contract or sold to homebuyers and 1 home is a model.

LOCATION MAP AND VICINITY MAP



THE DISTRICT'S DEVELOPER

Role of a Developer

In general, the activities of developers in a utility district such as the District include purchasing the land within a district, designing the streets in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities, and selling improved lots and commercial reserves to builders, other developers or other third parties. In most instances, a developer will be required to pay up to 30% of the cost of financing certain water, wastewater and drainage facilities in the utility district exclusive of water and sewage treatment plants, pursuant to the rules of the TCEQ. In addition, a developer is ordinarily the major taxpayer within a utility district during the property development phase and the developer's inability to pay the taxes assessed on its property within a district would have a materially adverse effect on the revenues of the district. The relative success or failure of a developer to perform development activities within a utility district may have a profound effect on the ability of the district to generate sufficient tax revenues to service and retire all tax bonds issued by the district. While a developer generally commits to pave streets and pay its allocable portion of the costs of utilities to be financed by the utility district through a specific bond issue, a developer is generally under no obligation to a district to undertake development activities with respect to other property that it owns within a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a district.

Description of the Developer

The original developer of the District was Development Solutions CAT, LLC, a Delaware limited liability company and a special purpose entity created solely for the purpose of developing the land within the District and marketing developed lots and developed tracts of land in the District. On December 13, 2021, the assets and obligations of Development Solutions CAT, LLC were acquired by CF CSLK CALITERRA LLC, a Delaware limited liability company (herein the "Developer"). The Developer is a special purpose entity created solely for the purpose of developing the land within the District and marketing developed lots and developed tracts of land in the District. The sole member of the Developer (the "Sole Member") is controlled by a private investment manager.

The Developer has entered into a development management agreement on December 13, 2021 (herein the "Management Agreement") with SR Capital Management (previously Caliterra Allegiant Development, LLC and referred to herein as the "Development Manager") to provide for management of the day-to-day land development activities associated with the initiation and completion of the land development project within the District. These management activities include pre-development coordination and supervision of Developer's consultants and professionals, execution of the approved project plans and specifications, and supervising lot marketing and sales. The Development Manager includes several individuals that have worked together on real estate investments over the course of the last several years. Management of the Development Manager is handled by James A. Siepiela and Gregory L. Rich, who have the primary responsibility for managing the affairs thereof. Mr. Siepiela and Mr. Rich have a combined 85 years of experience developing projects in Texas and have worked together on land development projects for the past 33 years.

Developer's Financing

The Developer has entered into a variable rate revolving line of credit (herein the "Loan") on March 30, 2022 with International Bank of Commerce (herein the "Bank"), which was amended and restated on June 5, 2023 (herein the "Amendment and Restatement"). As of the Amendment and Restatement, the Loan had a maximum principal amount of \$80,000,000 and a final maturity of March 30, 2026. The Developer entered into an amendment to the Loan effective as of March 30, 2026, which extended the maturity date of the Loan to March 30, 2027, and reduced the combined maximum outstanding at any time to \$35,000,000. The Development Loan currently has a zero balance. The loan is partially collateralized by the development project within the District, as well as other development projects in the investment fund of which each of the Developer and the Sole Member is a part. The Loan provides for monthly interest payments and periodic principal reduction payments. The Loan is evidenced by a note and secured, in part, by a first lien deed of trust on the Developer's land located in the District. Additionally, the Loan has an assignment of reimbursements to be received from the District by the Developer for reimbursable costs and guarantees of certain of the principals of the Developer. According to the Developer, as of June 30, 2026, the Loan was current and had not been in default since inception.

Homebuilders

Homes in the District are being marketed and sold in various price ranges and are being constructed on various lot sizes, including 60-foot, 65-foot, 70-foot, 80-foot, 100-foot, 110-foot and 125-foot lots. The homebuilders that are currently active in the District include Drees Homes, Scott Felder Homes, Pulte Homes, Sterling Custom Homes, Arbogast Custom Homes, Lake Travis Builders, Alkire Construction, Atlas Builders and Sommerfeld Custom Homes (the "Homebuilders"). The Homebuilders are marketing and selling homes in the \$500,000 - \$4,000,000 price range. See "THE DISTRICT – Status of Residential Development."

Future Development

As previously noted in this Official Statement, the District annexed a 197-acre tract of land referred to herein and to be known as "The Ranch at Caliterra Subdivision." Based on current land plans, it is presently anticipated that The Ranch at Caliterra Subdivision

will be developed into approximately 234 single-family lots. The District has a development agreement for The Ranch at Caliterra Subdivision with the City for sanitary sewer service and with the DSWSC for water supply service, both of which include business terms and conditions similar to those included in the development agreement between the City and the District for the Caliterra Subdivision. The Ranch at Caliterra Subdivision is currently under development with delivery of lots scheduled for July 2026. Neither the District nor the Developer makes any representation that such land will ever be developed or that taxable improvements will ever be constructed thereon. See “RISK FACTORS – Dependence on Major Taxpayers and the Developer.”

THE SYSTEM

Regulation

According to the District’s engineer, Carlson, Brigrance, and Doering, Inc. (the “Engineer”), the District’s water distribution, wastewater collection, and drainage facilities (the “System”) have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others, the TCEQ, the City and Hays County.

Operation of the waterworks system serving the District is provided by the DSWSC, and wastewater treatment and disposal facilities serving the District are provided by the City. The water supply and wastewater treatment facilities serving the District are subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. Regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply Facilities Serving the District

The District receives potable water from the Dripping Springs Water Supply Corporation (“DSWSC”). The District, DSWSC and Developer executed a contract in August 2013 for 550 living-unit equivalents (“LUEs”) to service a majority of the Caliterra Subdivision, the term of which is for fifteen years with up to three five-year extensions and then executed a separate contract in October 2024 for an additional 433 LUEs to serve the remainder of the District, including the remainder of Caliterra Subdivision and the Ranch at Caliterra Subdivision, the term of which is for twenty years. The two water supply contracts are collectively referred to as the “Agreements”. The Agreements, for a total of 983 LUEs, are expected to provide sufficient total water capacity for the District based on the Developer’s current land plans for the District. The Agreements provide that the Developer, on the District’s behalf, shall make capital contribution payments for purchase of capacity in the DSWSC’s water facilities as well as reservation fees for the reservations of such capacity until such time as the lots are developed to receive water service. As of June 1, 2026, to the District’s best knowledge, the Developer has made all the capital contribution payments pursuant to the Agreements and is up to date with respect to reservation fee payments.

Furthermore, the Agreements provide that the Developer (on behalf of the District) or the District will construct all of the internal water distribution lines located within the District according to all of the appropriate regulatory standards. Additionally, the construction of the internal water distribution lines is subject to construction supervision and approval by the DSWSC. All of the internal water distribution lines have been constructed and approved by the DSWSC to serve Caliterra. The Agreements provides that as the internal water distribution lines in the District are completed and approved by the DSWSC such lines are conveyed to the DSWSC.

Residents of the District pay monthly water bills directly to the DSWSC (the typical water bill for a 10,000 gallon per month water user is \$77.50 based on a \$35 monthly minimum charge plus \$4.25 per 1,000 gallons), which is comparable to the typical residential water bill for homes located in the Dripping Springs and northwest Hays County area. The DSWSC is responsible for the operations and maintenance of the DSWSC’s system (as defined in the Agreements), as well as the operations and maintenance of the internal water distribution lines serving the District.

Wastewater System

Wastewater treatment services are provided to the District by the City pursuant to the Second Amended and Restated Wastewater Service and Impact Fee Agreement (herein the “Wastewater Agreement”). The Wastewater Agreement provides for certain impact fees or connection fees to be paid by the Homebuilders at such time that a connection is added to the wastewater system. The residents of the District pay monthly sewer bills to the City pursuant to the City’s Wastewater Ordinance and the City is responsible for the operation and maintenance of the wastewater collection lines in the District.

The Wastewater Agreement provides the District with wastewater service by the City’s South Regional Wastewater Treatment and Collection System. The City has stated that it expects to be able to serve its existing and future customers, including the District at ultimate development, although the District may have to treat wastewater from the Ranch at Caliterra Subdivision on an interim basis while the City completes improvements to its wastewater treatment plant to increase capacity. The District has satisfied all of the conditions in the Wastewater Agreement necessary for the District to have access to the wastewater treatment. Additionally, the Wastewater Agreement provides for certain cost sharing arrangements between the City, the District, and the Developer. The District received a permit from the TCEQ issued on June 19, 2025 for discharge of wastewater under the provisions of Chapter 26 of the Texas Water Code to treat up to 0.041 MGD via 35 acres of surface irrigation. If necessary, the District will provide wastewater service to the Ranch at Caliterra Subdivision under its TCEQ permit, which is expected to be sufficient for the projected build-out of

the Ranch at Caliterra, until the City completes its wastewater treatment plant improvements. As part of the Wastewater Agreement, the Developer constructs facilities necessary for the City's wastewater land application within the District as sections are developed or facilities are needed by the City. It is projected that ultimately 118 acres of treated effluent surface irrigation spray fields will be required to treat 0.186 MGD as required by the Wastewater Agreement. Once constructed by the Developer, the treated effluent spray field facilities are conveyed to the District to own, operate, and maintain

Drainage System

The underground storm sewer facilities to serve Caliterra are complete. The District's drainage system currently includes collection systems, detention facilities, water quality ponds, and drainage channels that carry water to Onion Creek and thence to the Colorado River.

100-Year Flood Plain

"Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain" (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the District's Engineer, approximately 147 acres of undeveloped land within the District are located within the 100-year flood plain, as identified by the Federal Flood Insurance Rate Map Panel 48209C0115F for Hays County, Texas, dated September 2, 2005. No lots are developed nor are any lots planned for development within the approximately 147 acres that are located within the boundary of the 100-year flood plain.

The National Weather Service recently completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States ("Atlas 14") 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 Hays County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim 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 flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

General Fund Operating History

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. The information included in the table below relating to the District's operations is provided for information purposes only.

	Fiscal Year Ended December 31 (a)				
REVENUES	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Property taxes	\$1,135,867	\$1,133,573	\$818,365	\$548,252	\$375,982
Penalties and interest	\$6,107	\$4,158	\$1,069	\$1,080	\$1,558
Service availability fees	-	-	-	\$22,000	\$68,250
Miscellaneous	-	-	-	-	-
Investment earnings	\$82,936	\$98,617	\$86,398	\$23,758	\$18,376
TOTAL REVENUES	<u>\$1,224,910</u>	<u>\$1,236,348</u>	<u>\$905,832</u>	<u>\$595,090</u>	<u>\$464,166</u>
EXPENDITURES					
Current service operations					
Professional fees	\$215,781	\$327,133	\$266,425	\$182,080	\$160,456
Contracted services	\$120,399	\$161,423	\$89,610	\$63,979	\$57,149
Repairs and maintenance	\$836,948	\$623,103	\$405,529	\$281,180	\$234,766
Utilities	\$18,140	\$15,992	\$4,252	\$3,504	\$3,496
Administrative	\$23,491	\$22,767	\$22,636	\$17,302	\$18,968
Miscellaneous	\$2,272	\$1,246	\$1,170	\$1,115	\$359
Capital outlay	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>\$1,217,031</u>	<u>\$1,160,664</u>	<u>\$789,622</u>	<u>\$549,160</u>	<u>\$475,194</u>
EXCESS/DEFICIENCY	\$7,879	\$75,684	\$116,210	\$45,930	(\$11,028)
FUND BALANCE					
Beginning of the year	<u>\$1,620,932</u>	<u>\$1,545,248</u>	<u>\$1,429,038</u>	<u>\$1,383,108</u>	<u>\$1,394,136</u>
End of the year (b)	<u>\$1,628,811</u>	<u>\$1,620,932</u>	<u>\$1,545,248</u>	<u>\$1,429,038</u>	<u>\$1,383,108</u>

(a) Data is taken from District's audited financial statements. See "APPENDIX A."

(b) As of June 11, 2026, the District's General Fund had an unaudited cash and investment balance of \$2,489,544. For the fiscal year ending December 31, 2026, the District's General Fund is currently budgeting revenues of \$1,309,028 and expenditures of \$1,047,460.

THE ROADS

The District has financed the acquisition and construction of a portion of the road system to serve property in the District (the "Roads") with the proceeds of the sale of certain of the District's Outstanding Bonds. The Roads serve the residents of the District by providing access to the major thoroughfares within the District and the surrounding area. Caliterra Parkway serves as a major thoroughfare by conveying travelers to Ranch Road 12. Onion Creek Bridge is located within the District and services Caliterra Parkway and collector roads by providing access across Onion Creek. The Roads consist of additional arterial roads, collector roads, and improvements in aid thereof.

The Roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, wastewater and drainage facilities are located within the right-of-way or easement dedicated to the District, City, DSWCS, or Hays County. The right-of-way is also shared by streetlights, sidewalks, and franchise utilities, including power, gas, telephone, and cable utilities. The Roads have been designed and constructed in accordance with standards, rules, and regulations of Hays County, Texas. Upon completion, the Roads are conveyed to Hays County, Texas for ownership, operation and maintenance in accordance with the standard acceptance procedures. See "RISK FACTORS – Financing Road Facilities."

MANAGEMENT OF THE DISTRICT

The District is governed by a board of directors (the "Board") which has control over and management supervision of all affairs of the District. Two of the directors reside in the District; each of the other directors owns a parcel of land in the District subject to a note and deed of trust. Directors are appointed by the Hays County Commissioners Court to serve four-year staggered terms. The current members and officers of the Board, along with their titles on the Board, are listed below.

<u>Name</u>	<u>Title</u>	<u>Expires September</u>
Billy Foulds	President	2026
Trey Novosad	Vice President	2028
George Baker	Secretary	2028
Kasey Studdard	Assistant Secretary	2026
John Bolt Harris	Director	2028

The District does not employ a general manager or any other full-time employees. The District has contracted for utility system operating, bookkeeping, tax assessing and collecting services and annual auditing of its financial statements as follows:

Tax Assessor/Collector – Services related to the District's property tax matters are provided by the Hays Central Appraisal District and the Hays County Tax Office.

Bookkeeper – The District has contracted with Bott & Douthitt, PLLC (the "District's Bookkeeper") for bookkeeping services.

Auditor – The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC – Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2025, audited financial statements.

Engineer – The consulting engineer for the District is Carlson, Brigance, and Doering, Inc. (the "Engineer").

Financial Advisor – The GMS Group, L.L.C., serves as Financial Advisor to the District, and is paid an hourly fee for certain work performed for the District and a contingent fee to be computed on each separate issuance of the bonds, if and when such bonds are delivered.

Bond Counsel/General Counsel – Johnson Petrov LLP serves as Bond Counsel to the District and as General Counsel for the District on matters other than the issuance of bonds. Fees paid for the Bond Counsel services will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds. Fees paid for the General Counsel services is paid an hourly fee for certain work performed for the District.

General Counsel – Andy Barrett & Associates, PLLC serves as General Counsel to the District on matters relating to, and other than, the issuance of bonds. Fees paid for the General Counsel services is paid at an hourly fee for certain work performed for the District and a contingent fee to be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

Disclosure Counsel – Orrick, Herrington & Sutcliffe LLP, Austin, Texas, has been engaged by the District to serve as Disclosure Counsel on certain matters related to the sale and delivery of the Bonds but such advise should not be relied upon by the purchasers as a due diligence undertaking on their behalf. Fees of the Disclosure Counsel will be paid from proceeds of the Bonds; such fees are contingent upon the sale and delivery of such Bonds.

DISTRICT INVESTMENT POLICY

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield in its portfolio. Funds of the District are invested in short-term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") or secured by collateral evidenced by perfected safekeeping receipts held by a party bank, and public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the District portfolio.

DISTRICT DEBT

January 1, 2026 Preliminary Assessed Valuation	\$436,628,919	(a)
2025 Certified Taxable Valuation	\$405,538,117	(b)
Direct Debt:		
Outstanding Bonds (as of June 1, 2026)	\$38,320,000	
The Bonds	<u>\$3,730,000</u>	
Total Direct Debt	\$42,050,000	
Estimated Overlapping Debt	<u>\$39,595,117</u>	(c)
Direct and Estimated Overlapping Debt	\$81,645,117	(c)
Percentage of Direct Debt to:		
January 1, 2026 Preliminary Assessed Valuation	9.63%	
2025 Certified Taxable Valuation	10.37%	
Percentage of Direct and Estimated Overlapping Debt to:		
January 1, 2026 Preliminary Assessed Valuation	18.70%	
2025 Certified Taxable Valuation	20.13%	
2025 Tax Rate Per \$100 of Assessed Value:		
Water, Sewer and Drainage Debt Service Tax	\$0.46	
Road Debt Service Tax	\$0.13	
Maintenance Tax	<u>\$0.31</u>	
Total 2025 Tax Rate	\$0.90	
Cash and Temporary Investment Balances as of June 11, 2026:		
General Fund	\$2,489,544	(d)
Water, Sewer and Drainage Debt Service Fund	\$1,656,761	(e)
Road Debt Service Fund	\$480,708	(e)

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- (a) Reflects data supplied by Hays CAD. The Preliminary Assessed Valuation as of January 1, 2026, was prepared by Hays CAD and provided to the District for informational purposes only. Such value is not binding on Hays CAD. Any value resulting from new construction since January 1, 2026 will not be included on the District's tax roll until the 2027 tax roll is prepared and certified by Hays CAD during the second half of 2027. The District is authorized by law to levy taxes only against certified values. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (b) Reflects the January 1, 2025 Certified Taxable Value according to data supplied to the District by Hays CAD. See "DISTRICT TAX DATA" and "TAXING PROCEDURES."
- (c) See "– Estimated Overlapping Debt" herein.
- (d) Unaudited figure per the District's records. See "THE SYSTEM – General Fund Operating History."
- (e) Unaudited figures per the District's records. Neither Texas law nor the District's Bond Order requires that the District maintain any particular balance in the Water, Sewer and Drainage Debt Service Fund or the Road Debt Service Fund. The cash and investment balances in the Road Debt Service Fund are not available to make debt service payments on the Bonds. Likewise, the cash and investment balances in the Water, Sewer and Drainage Debt Service Fund will not be available to make debt service payments on the District's road bonds. See "DISTRICT TAX DATA – Tax Adequacy of Tax Revenue" and "THE BONDS – Funds."

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 the "Texas Municipal Reports," published by the Municipal Advisory Council of Texas and from information obtained directly from certain jurisdictions. Except for the amounts 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, the amount of which has not been reported. 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 Entity</u>	<u>Approximate Outstanding Debt</u>	<u>Estimated Overlapping</u>	
		<u>Overlapping %</u>	<u>Amount</u>
Dripping Springs Independent School District	\$602,730,000	4.09%	\$24,651,657
City of Dripping Springs	\$51,960,000	18.45%	\$9,586,620
Hays County	\$695,693,512	0.77%	\$5,356,840
Total Estimated Overlapping Debt			\$39,595,117
The District (a)			\$42,050,000
Total Direct and Estimated Overlapping Debt			<u>\$81,645,117</u>

(a) Includes the Bonds and Outstanding Bonds.

DISTRICT TAX DATA

Tax Rate and Collections

The following table sets forth the historical tax information collection experience of the District for the years 2021 through 2025. Such table has also been prepared based upon information from District records. Reference is made to such records for further and complete information.

<u>Tax Year</u>	<u>Taxable Valuation (a)</u>	<u>Tax Rate (b)</u>	<u>Tax Levy</u>	<u>Cumulative Tax Collections (c)</u>	<u>Tax Year Ending September 30</u>
2025	\$405,538,117	\$0.90	\$3,649,843	95.78% (d)	2026
2024	\$376,962,852	\$0.90	\$3,392,666	99.90%	2025
2023	\$341,877,021	\$0.90	\$3,076,893	99.62%	2024
2022	\$234,070,254	\$0.90	\$2,106,632	99.96%	2023
2021	\$144,589,017	\$0.90	\$1,301,301	100.00%	2022

(a) See "Analysis of Tax Base" herein.

(b) See "Tax Rate Distribution" herein.

(c) Represents cumulative collections as of May 31, 2026.

(d) The District's 2025 tax levy is in the process of collections; such taxes become delinquent if not paid before February 1, 2026. See "TAXING PROCEDURES."

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operation of the District and its facilities. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. The District's voters have authorized a maintenance tax of up to \$1.50 per \$100 of assessed valuation at an election held on May 13, 2006. See "Tax Rate Distribution" herein.

Tax Rate Distribution

The following table sets forth the tax rate distribution of the District for the years 2021 through 2025.

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
Water, Sewer and Drainage Debt Service	\$0.46	\$0.46	\$0.45	\$0.31	\$0.14
Road Debt Service	\$0.13	\$0.14	\$0.13	\$0.24	\$0.39
Maintenance/Operation	<u>\$0.31</u>	<u>\$0.30</u>	<u>\$0.32</u>	<u>\$0.35</u>	<u>\$0.37</u>
Total	\$0.90	\$0.90	\$0.90	\$0.90	\$0.90

Additional Penalties

The District has the authority to contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of 20% of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent, or (2) become delinquent on or after June 1, pursuant to the Texas Tax Code.

Principal Taxpayers

The list of principal taxpayers for 2025 and the other information provided by this table were provided by Hays CAD based on certified tax rolls net of any exemptions from taxation. This table does not reflect any corrections pursuant to subsequent action of Hays CAD.

<u>Property Owner</u>	<u>Property Description</u>	<u>Property Value</u>	<u>% of Total</u>
CF CSLK CALITERRA LLC (a)	Land and Improvement	\$4,856,960	1.20%
Drees Custom Homes LP (b)	Land and Improvement	\$4,336,945	1.07%
CF CSLK Carter LLC (b)	Land and Improvement	\$3,096,250	0.76%
Homeowner	Land and Improvement	\$2,799,790	0.69%
Homeowner	Land and Improvement	\$2,543,910	0.63%
Homeowner	Land and Improvement	\$2,287,700	0.56%
Homeowner	Land and Improvement	\$2,179,590	0.54%
Homeowner	Land and Improvement	\$2,090,857	0.52%
Homeowner	Land and Improvement	\$1,990,857	0.49%
Homeowner	Land and Improvement	<u>\$1,886,072</u>	<u>0.47%</u>
TOTALS		\$28,068,931	6.92%

(a) See "THE DISTRICT'S DEVELOPER"

(b) See "THE DISTRICT'S DEVELOPER – Homebuilders"

Analysis of Tax Base

Based on information provided to the District by its Tax Assessor/Collector, the following represents the composition of property comprising the District's gross tax roll valuations and the exemptions (including supplemental adjustments made by Hays CAD) for 2021 through 2025. The District received additional taxable value information from Hays CAD, including an January 1, 2026 Preliminary Assessed Valuation as shown below. See "DISTRICT DEBT."

<u>Year</u>	<u>Type of Property</u>			<u>Gross Value</u>	<u>Exemptions</u>	<u>Taxable Value</u>	
	<u>Land</u>	<u>Improvements</u>	<u>Personal Property</u>				
1/1/2026						\$436,628,919	(a)
2025	\$134,306,109	\$290,709,278	\$452,727	\$425,468,114	\$19,929,997	\$405,538,117	
2024	\$131,972,780	\$273,414,350	\$426,512	\$405,813,642	\$28,850,790	\$376,962,852	
2023	\$124,191,392	\$285,160,992	\$168,439	\$409,520,823	\$67,643,802	\$341,877,021	
2022	\$100,523,025	\$182,117,993	\$291,749	\$282,932,767	\$48,862,513	\$234,070,254	
2021	\$56,912,900	\$106,612,753	\$302,995	\$163,828,648	\$19,239,631	\$144,589,017	

(a) The Preliminary Assessed Valuation as of January 1, 2026, was prepared by Hays CAD and provided to the District for informational purposes only. The District is authorized by law to levy taxes only against certified values. See "TAXING PROCEDURES."

Estimated Overlapping Taxes

Property within the District is subject to taxation by several taxing authorities in addition to the District. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty and interest for the year, on January 1, of that year. The tax lien on property in favor of the District is on parity with tax liens of other taxing jurisdictions. See "TAXING PROCEDURES." In addition to ad valorem taxes required to make debt service payments on bonded debt of the District and of such other jurisdictions (see "DISTRICT DEBT – Estimated Overlapping Debt"), 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.

The following table sets forth all 2025 taxes levied by such overlapping taxing jurisdictions, assuming each assesses at 100% basis of assessment. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy by entities other than political subdivisions.

<u>Taxing Entities</u>	<u>2025 Tax Rate</u>
Dripping Springs Independent School District	\$1.10520
Hays County	\$0.35730
Hays County Special Road District	\$0.04260
Hays County Emergency Services District No. 6	\$0.08024
North Hays County Emergency Services District No. 1	\$0.05000
Overlapping Taxes	\$1.63534
The District	<u>\$0.90000</u>
Total Direct and Overlapping Taxes	\$2.53534

Tax Adequacy of Tax Revenue

The calculations shown below are solely for the purpose of illustration, reflect no net revenues of the System, no transfers of surplus funds from the District's Operating Fund to the Water, Sewer and Drainage Debt Service Fund or Road Debt Service Fund, and no increase or decrease in assessed valuation over the January 1, 2026 Preliminary Assessed Valuation and the January 1, 2025 Certified Taxable Valuation. The calculations utilize a tax rate adequate to service the District's total debt service requirements after issuance of the Bonds.

Maximum Annual Debt Service Requirement (2045)\$2,875,812 (a)

Requires a \$0.70 debt service tax rate on the January 1, 2026 Preliminary Assessed Valuation
at 95% collection\$2,903,582 (a)

Requires a \$0.75 debt service tax rate on the 2025 Certified Taxable Valuation
at 95% collection\$2,889,459 (a)

(a) A certain amount of the maximum annual debt service requirement will be paid for with the District's water, sewer and drainage debt service tax rate and a certain portion will be paid for with the District's road debt service tax rate.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal and interest on the Bonds and any additional bonds payable from taxes that the District may hereafter issue and to pay the expenses of assessing and collecting such taxes. See "RISK FACTORS – Future Debt." The District agrees in the Bond Order to levy such a tax from year to year as described more fully in this Official Statement under the caption "THE BONDS – Source of and Security for Payment." Under Texas law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system, drainage system, a portion of its road system, certain economic development items, and for the payment of certain contractual obligations if authorized by the voters in the District. See "DISTRICT TAX DATA – Maintenance Tax."

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units in a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Hays Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units

within Hays County, including the District. Such appraisal values are subject to review and change by the Hays Central Appraisal Review Board (the "Appraisal Review Board"). The Texas Comptroller of Public Accounts may provide for the administration and enforcement of uniform standards and procedures for appraisal of property.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; certain goods, wares, and merchandise in transit; farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and of certain disabled persons, and travel trailers, to the extent deemed advisable by the Board. The District may be required to offer such an exemption if a majority of voters approve it at an election. The District would be required to call such an election upon petition by 20% of the number of qualified voters who voted in the preceding 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, but only to the maximum extent of \$5,000 to \$12,000 of assessed valuation depending upon the disability rating of the veteran, if such rating is less than 100%. A veteran who receives a disability rating of 100% is entitled to the exemption for the full amount of the residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran is entitled to an exemption for the full value of the veteran's residence homestead to which the disabled veterans' exemption applied including the surviving spouse of a disabled veteran who would have qualified for such exemption if it had been in effect on the date the disabled veteran died. 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 homesteads in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Residential Homestead Exemptions. Under Section 1-b, Article VIII of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than \$3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than \$3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

Under Section 1-b, Article VIII of the Texas Constitution and State law, in addition to any other exemptions provided by the Tax Code, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of \$5,000. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

Freeport and Goods-in-Transit Exemptions. A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas) and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer

than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For the tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax Goods-in-Transit personal property. A taxing unit must exercise its option to tax Goods-in-Transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. The District has taken official action to allow taxation of all such goods-in-transit personal property for all prior and subsequent years.

Pollution Control Exemption. Article VIII, Section 1-I, provides for the exemption from ad valorem taxation of certain property used to control the pollution of air, water, or land. A person is entitled to an exemption from taxation of all or part of real and personal property that the person owns and that is used wholly or partly as a facility, device or method for the control of air, water or land pollution.

Tax Abatement

Hays County or the City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City (after annexation), Hays County, or the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement, which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt property from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction, including the District, has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Hays Central Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on 100% of market value, as such is defined in the Property Tax Code. A residence homestead is required to be appraised solely on the basis of its value as a residence homestead regardless of whether residential use is considered to be the highest and best use of the property.

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business are valued at the price all 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 chief 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 for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland. Developers in the District have waived their rights to agricultural use, open space, or timber land exemptions.

The Property Tax Code requires HCAD to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in HCAD at least once every three years. It is not known what frequency of reappraisal will be utilized by HCAD 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 HCAD 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 HCAD chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a 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 of Texas. 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.

The Property Tax Code provides that the governing body of a taxing unit located within an area declared to be a disaster area by the governor of the State of Texas may authorize reappraisal of all property damaged in the disaster at its market value immediately after the disaster. For reappraised property, the taxes are pro rated for the year in which the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1 of that year. Beginning on the date of the disaster and for the remainder of the year, the taxing unit assesses taxes on the reappraised market value of the property.

During the 2nd Special Session of the 88th Texas Legislature, convened on June 27, 2023, the Texas Legislature passed Senate Bill 2 ("SB 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 \$5,000,000 (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 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. After the 2024 tax year, through December 31, 2026, the Appraisal Cap may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in consumer price index, as applicable, to the Maximum Property Value. SB 2 was signed into law by the Governor on July 22, 2023. The provisions described hereinabove took effect January 1, 2024, after the constitutional amendment proposed by H.J.R. 2, 88th Legislature, 2nd Called Session, 2023, was approved by voters at an election held on November 7, 2023.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition for review in state district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that 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 that are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 12% regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) 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 continues 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 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 can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate 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 that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

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

Developing Districts. Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District. A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The Board of Directors designated the District as a Developing District for purposes of setting the 2025 tax rate. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of other such taxing units (see "DISTRICT TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

The Effect of FIRREA on Tax Collections of the District

The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

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

THE BONDS

General

The Bond Order authorizes the issuance and sale of the Bonds and prescribes terms, conditions and provisions for the payment of the principal of and interest on the Bonds by the District. Set forth below is a summary of certain provisions of the Bond Order. Capitalized terms in such summary are used as defined in the Bond Order. Such summary is not a complete description of the entire Bond Order and is qualified in its entirety by reference to the Bond Order, copies of which are available from the District's Bond Counsel upon request.

The Bonds are dated and will bear interest from August 1, 2026, at the per annum rates shown on the cover page hereof. The Bonds are fully registered bonds maturing on April 1 in the years and in the principal amounts set forth on the cover page hereof. Interest on the Bonds is payable April 1, 2027, and each October 1 and April 1 thereafter until the earlier of maturity or redemption. The Record Date on the Bonds is the 15th day of the calendar month next preceding the interest payment date.

The Bonds will be issued only in fully registered form in any integral multiple of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of the Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See "BOOK-ENTRY-ONLY-SYSTEM" herein.

In the event that the Book-Entry-Only System is discontinued, interest on the Bonds shall be payable by check on or before each interest payment date, mailed by the Paying Agent/Registrar to the registered owners ("Registered Owners") as shown on the bond register (the "Register") kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Authority for Issuance

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Order, Article III, Section 52 of the Texas Constitution and the general laws of the State of Texas, including but not limited to Chapters 49 and 54, Texas Water Code, as amended, and an election held within the District.

Optional Redemption of the Bonds

The District reserves the right to redeem, prior to maturity, the Bonds maturing on or after April 1, 2032, in whole or in part from time to time, on April 1, 2031, or on any date thereafter, at a price of par plus accrued interest to the date of redemption. If fewer than all of the Bonds are to be redeemed, the particular Bonds to be redeemed will be selected by the District. If fewer than all of the Bonds within any one maturity are redeemed, the particular Bonds to be redeemed shall be selected by the Registrar by lot or other random selection method. Notice of each exercise of the right of redemption will be given at least thirty days prior to the date fixed for redemption by mailing written notice by first class mail to each of the Registered Owners (the "Registered Owners") of the Bonds to be redeemed. When Bonds have been called for redemption, they will become due and payable on the redemption date.

Source of and Security for Payment

The Bonds are secured by and payable from the levy of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property in the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Registrar fees, and Appraisal District fees. The Bonds are obligations of the District and are not the obligations of the State of Texas, Hays County, Texas, the City of Dripping Springs, Texas, or any entity other than the District.

Defeasance

The Bond Order provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) for obligations of the District payable from revenues or from ad valorem taxes or both, or with a commercial bank or trust company designated in the proceedings authorizing such discharge, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision or a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

Upon such deposit as described above, such Bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes. There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

Funds

In the Bond Order, the Road Debt Service Fund is confirmed and the proceeds from all taxes levied, appraised, and collected for and on account of the Bonds authorized by the Bond Order, shall be deposited, as collected, in such fund.

The District also maintains a Water, Sewer and Drainage Debt Service Fund that is not pledged to the Bonds. Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal and interest on the Bonds.

Accrued interest on the Bonds and capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from the sale of the Bonds shall be deposited into the Road Capital Projects Fund to be used for the purpose of reimbursing the Developer for certain construction costs and for paying the costs of issuance of the Bonds. Any monies remaining in the Road Capital Projects Fund will be used as described in the Bond Order or ultimately transferred to the Road Debt Service Fund. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Registrar.

Paying Agent/Registrar

Pursuant to the Bond Order, the initial paying agent and initial registrar with respect to the Bonds is The Bank of New York Mellon Trust Company, N.A., located in Houston, Texas. The District will maintain at least one Registrar, where the Bonds may be surrendered for transfer and/or for exchange or replacement for other Bonds, and for the purpose of maintaining the Bond Register on behalf of the District. The Registrar is required at all times to be a duly qualified banking corporation or association organized and doing business under the laws of the United States of America, or of any state thereof, and subject to supervision or examination by federal or state banking authorities.

The District reserves the right and authority to change any paying agent/registrar and, upon any such change, the District covenants and agrees in the Bond Order to promptly cause written notice thereof, specifying the name and address of such successor paying agent/registrar, to be sent to each Registered Owner of the Bonds by United States mail, first class, postage prepaid.

Registration and Transfer

In the event the Book-Entry-Only System should be discontinued, the Bonds will be transferable only on the Bond Register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity and of any authorized denomination upon surrender of the Bonds to be exchanged at the operations office of the Registrar in Houston, Texas. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to the ownership and transferability of the Bonds. Every Bond presented or surrendered for transfer is required to be duly endorsed, or be accompanied by a written instrument of transfer, in a form satisfactory to the Registrar. Neither the Registrar nor the District is required (1) to transfer or exchange any Bond during the period beginning at the opening of business on a Record Date (defined herein) and ending at the close of business on the next succeeding interest payment date, or (2) to transfer or exchange any Bond selected for redemption in whole or in part within 30 calendar days of the redemption date. No service charge will be made for any transfer or exchange, but the District or the Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System is discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss, or theft and receipt by the District and the Registrar of security or indemnity as may be required by either of them to keep them harmless. The District will require payment of taxes, governmental charges, and expenses in connection with any such replacement.

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is quoted from Section 49.186 of the Texas Water Code, and is applicable to the District:

- “(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic.
- (b) A district's bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of authorities, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any un-matured interest coupons attached to them.”

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds. No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any such persons or entities to limit the acceptability or suitability of the Bonds for any foregoing purposes.

Issuance of Additional Debt

Pursuant to an election held for and within the District on May 14, 2011, the duly authorized registered voters of the District authorized the District to: (i) issue bonds in the aggregate principal amount of \$123,000,000 for the purpose or purposes of financing water, sewer, and drainage facilities pursuant to Article XVI, Section 59 of the Texas Constitution; (ii) issue bonds in the aggregate principal amount of \$55,000,000 for the purpose or purposes of financing roads, streets, and related appurtenances pursuant to Article III, Section 52 of the Texas Constitution, which shall include but not be limited to the construction, maintenance and operation of roads; (iii) issue bonds in the aggregate principal amount of \$123,000,000 for the purpose or purposes of a loan or loans in connection with a legislatively authorized program related to economic development pursuant to Article III, Section 52-a of the Texas Constitution, which shall include, but is not limited to a golf course, clubhouse, and hotel. After the issuance of the Bonds, \$91,700,000 bonds for the purpose or purposes of financing water, sewer, and drainage facilities will remain authorized but unissued; \$41,855,000 bonds for the purpose or purposes of financing roads, streets, and related appurtenances will remain authorized but unissued; and \$123,000,000 bonds for the purposes or purposes of a loan or loans in connection with a legislatively authorized program related to economic development will remain authorized but unissued. The District's voters have also authorized \$370,000,000 of unlimited tax refunding bonds for the purpose of refunding previously issued bonds. The District has the right to issue additional new money bonds as may hereafter be approved by both the Board and the voters of the District and may issue refunding bonds without additional elections so long as they do not exceed the principal amount of then outstanding bonds. Such additional new money bonds or refunding bonds would be issued on a parity with the Bonds.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, Maturity Value, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee 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, the Financial Advisor, and the Initial Purchaser believe the source of such information to be reliable but take no responsibility for the accuracy or completeness thereof.

The District and the Initial Purchaser cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount or Maturity Value, as the case may be, 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. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, who will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Certificate ("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 securities 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 Certificate 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 fewer 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. All payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) are 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, securities 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, securities will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry-only system has been obtained from sources that the District believes to be reliable, but none of the District, the Financial Advisor or the Initial Purchaser takes any responsibility for the accuracy thereof. Termination by the District of the DTC Book-Entry-Only System may require consent of DTC Participants under DTC Operational Arrangements.

LEGAL MATTERS

Legal Opinions

The District will furnish the Initial Purchaser a transcript (the "Transcript") of certain certified proceedings incident to the issuance and authorization of the Bonds. Such Transcript will include the approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of the Public Accounts of the State of Texas, to the effect that the Bonds are valid and legally binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without limit as to rate or amount, upon all taxable property in the District. The District will also furnish the approving legal opinion of Johnson Petrov LLP, Houston, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas. The legal opinion of Bond Counsel will further state that (i) the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without limitation as to rate or amount, against all taxable property within the District, (ii) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (iii) interest on the Bonds is not subject to federal alternative minimum tax on individuals. Bond Counsel's fees for services rendered with respect to the sale of the Bonds are contingent upon the issuance and delivery of the Bonds.

Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Disclosure Counsel for the District.

Legal Review

In its capacity as Bond Counsel, Johnson Petrov LLP, has reviewed the information appearing in this Official Statement under the captions "CONTINUING DISCLOSURE OF INFORMATION – SEC RULE 15c2-12," "THE DISTRICT – Authority," "TAXING PROCEDURES," "THE BONDS (except for "Book-Entry-Only System")," "TAX MATTERS," "LEGAL MATTERS – Legal Opinions" (to the extent such section relates to the opinion of Bond Counsel) and "REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS" solely to determine whether such information fairly summarizes the procedures and documents referred to therein. Bond Counsel has not, however, independently verified any of the other factual information contained in this Official Statement, nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of any of the other information contained herein. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein, other than the matters discussed immediately above.

Andy Barrett & Associates, PLLC serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel and General Counsel for services rendered in connection with issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

On the date of delivery of the Bonds, the District will execute and deliver a certificate to the effect that there is not pending, and to the knowledge of the District, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

In the opinion of Johnson Petrov LLP, Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals, however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Internal Revenue Code of 1986, as amended (the "Code")) for the purpose of determining the alternative minimum tax imposed on corporations.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service. The District has covenanted in the Bond Order that they will comply with these requirements. Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purposes and, in addition, will rely on representations by the District, the District's Financial Advisor and the Initial Purchaser with respect to matters solely within the knowledge of the District, the District's Financial Advisor and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

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

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

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

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

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax

purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Tax Accounting Treatment of Original Issue Discount and Premium Bonds

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for deferral income tax purposes, the discussion regarding interest on the Bonds under the caption "TAX MATTERS" generally applies, except as otherwise provided below, to an original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial public offering price of the Bonds, and should be considered in connection with the discussion in this portion of the Official Statement.

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

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

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

The initial offering price of certain Bonds (the "Premium Bonds") may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser's yield to maturity. Purchasers of Premium Bonds should consult with their own tax advisors to determine the amortizable bond premium on the Premium Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

Qualified Tax-Exempt Obligations:

Section 265(a) of the Internal Revenue Code of 1986, as amended, ("the Code") requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds that are: (a) designated by the issuer as "qualified tax-exempt obligations," and (b) issued by a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c) (3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and represents that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2026 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

REGISTRATION AND QUALIFICATION UNDER SECURITIES LAWS

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

OFFICIAL STATEMENT

Sources of Information

The information contained in this Official Statement has been obtained primarily from the District's records, the Engineer, the Hays Central Appraisal District, the Hays County Tax Office, the Developer, and other sources that are believed to be reliable, but no representation is made as to the accuracy or completeness of the information derived from such other sources. The summaries of the statutes, orders, resolutions and engineering and other related reports set forth in the Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

Financial Advisor

The GMS Group, L.L.C. 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, the Official Notice of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, The GMS Group, L.L.C. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer – The information contained in this Official Statement relating to engineering matters generally and to the description of the System and in particular that information included in the sections entitled "THE SYSTEM" and "THE ROADS" and certain engineering matters included in "THE DISTRICT – Description and Location" and certain matters under the headings "THE DISTRICT – Summary of Land Use" and "– Status of Residential Development" (excluding house count data which has been provided by the Developer) have been provided by Carlson, Brigrance, and Doering, Inc., and have been included in reliance upon the authority of such firm as an expert in the field of civil engineering.

Tax Assessor/Collector – The information contained in this Official Statement relating to the estimated assessed valuation of property and, in particular, such information contained in the section captioned "DISTRICT TAX DATA," has been provided by the Hays Central Appraisal District and the Hays County Tax Office in reliance upon their authority as experts in the field of tax assessing and appraising.

Auditor – The financial statements of the District as of December 31, 2025, and for the year then ended, included in this offering document, have been audited by McGrath & Co., PLLC – Certified Public Accountants, independent auditors, as stated in their report appearing herein. See "APPENDIX A" for a copy of the District's December 31, 2025, audited financial statements.

Continuing Availability of Financial Information

Pursuant to Texas law, the District has its financial statements prepared in accordance with generally accepted accounting principles and has its financial statements audited by a certified public accountant in accordance with generally accepted auditing standards within 120 days after the close of its fiscal year. The District's audited financial statements are required to be filed with the TCEQ within 135 days after the close of its fiscal year.

The District's financial records and audited financial statements are available for public inspection during regular business hours at the office of the District and copies will be provided on written request, to the extent permitted by law, upon payment of copying charges. Requests for copies should be addressed to the District in care of Johnson Petrov LLP, 2929 Allen Parkway, Suite 3150, Houston, Texas, 77019.

Updating of Official Statement

The District will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds. All information with respect to the resale of the Bonds shall be the responsibility of the Initial Purchaser.

Certification as to Official Statement

The Board of Directors of the District, acting in its official capacity and in reliance upon the consultants listed above, and certain certificates of representation to be provided to the Board, 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 a material fact and do not omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they 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 of such matters and makes no representation as to the accuracy or completeness thereof.

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 statement in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated is intended as such and not a representation of fact and no representation is made that any such statement will be realized.

This Official Statement was approved by the Board of Directors of Hays County Development District No. 1 as of the date shown on the cover page.

APPENDIX A

INDEPENDENT AUDITOR'S REPORT AND FINANCIAL STATEMENTS OF THE DISTRICT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2025

**HAYS COUNTY DEVELOPMENT
DISTRICT NO. 1**

HAYS COUNTY, TEXAS

FINANCIAL REPORT

December 31, 2025

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McGRATH & CO., PLLC

Certified Public Accountants

2950 North Loop West, Suite 810

Houston, Texas 77092

Independent Auditor's Report

Board of Directors
Hays County Development District No. 1
Hays County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Hays County Development District No. 1 (the "District"), as of and for the year ended December 31, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Hays County Development District No. 1, as of December 31, 2025, and the respective changes in financial position thereof 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 Auditor's 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.

Auditor's 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 auditor's 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.

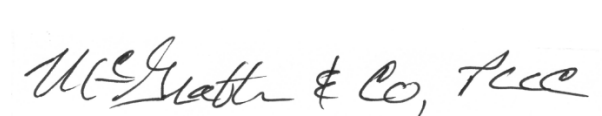
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information 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

***Board of Directors
Hays County Development District No. 1
Hays County, Texas***

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.

A handwritten signature in black ink that reads "McGlothlin & Co, LLC". The signature is written in a cursive, flowing style.

Houston, Texas
April 9, 2026

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Management's Discussion and Analysis

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***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025***

Using this Annual Report

This section of the financial report of Hays County Development District No. 1 (the "District") provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended December 31, 2025. This analysis should be read in conjunction with the independent auditor's report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements; and
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025***

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at December 31, 2025, was negative \$45,736,886. The District's net position is negative because the District incurs debt to construct water and wastewater facilities which it conveys to Dripping Spring Water Supply Corporation and the City of Dripping Spring, respectively. The District also incurs debt to construct certain road facilities and storm sewer systems which it conveys to Hays County. A comparative summary of the District's overall financial position, as of December 31, 2025 and 2024, is as follows:

	2025	2024
Current and other assets	\$ 7,023,628	\$ 6,596,015
Capital assets	13,064,663	12,074,078
Total assets	<u>20,088,291</u>	<u>18,670,093</u>
Current liabilities	1,421,812	1,148,683
Long-term liabilities	60,733,935	57,912,466
Total liabilities	<u>62,155,747</u>	<u>59,061,149</u>
Total deferred inflows of resources	<u>3,669,430</u>	<u>3,391,889</u>
Net position		
Net investment in capital assets	(8,119,699)	(7,636,753)
Restricted	1,142,714	1,013,289
Unrestricted	(38,759,901)	(37,159,481)
Total net position	<u>\$ (45,736,886)</u>	<u>\$ (43,782,945)</u>

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025***

The total net position of the District decreased during the current fiscal year by \$1,953,941. A comparative summary of the District's *Statement of Activities* for the past two fiscal years is as follows:

	2025	2024
Revenues		
General revenues	\$ 3,611,725	\$ 3,399,708
Expenses		
Utility operations	855,088	648,095
Administrative	380,602	529,440
Debt interest and fees	1,569,092	1,548,766
Depreciation and amortization	635,741	521,823
Total expenses	3,440,523	3,248,124
Change in net position before other items	171,202	151,584
Other items		
Receivable write-off		(140,750)
Transfers to other governments	(2,125,143)	(481,635)
Change in net position	(1,953,941)	(470,801)
Net position, beginning of year	(43,782,945)	(43,312,144)
Net position, end of year	<u>\$ (45,736,886)</u>	<u>\$ (43,782,945)</u>

Financial Analysis of the District's Funds

The District's combined fund balances, as of December 31, 2025, were \$3,247,900, which consists of \$1,628,811 in the General Fund, \$1,531,245 in the Debt Service Fund and \$87,844 in the Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of December 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 2,993,557</u>	<u>\$ 2,835,163</u>
Total liabilities	\$ 97,815	\$ 82,318
Total deferred inflows	1,266,931	1,131,913
Total fund balance	1,628,811	1,620,932
Total liabilities, deferred inflows and fund balance	<u>\$ 2,993,557</u>	<u>\$ 2,835,163</u>

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025***

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 1,224,910	\$ 1,236,348
Total expenditures	(1,217,031)	(1,160,664)
Revenues over expenditures	<u>\$ 7,879</u>	<u>\$ 75,684</u>

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy, which is dependent upon assessed values in the District and the maintenance tax rate set by the District. The 2024 levy was recognized as revenues in the 2025 fiscal year, while the 2023 levy was recognized in the 2024 fiscal year (to the extent that these amounts were collected). Property tax revenues in the District have remained fairly consistent from year to year.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of December 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 4,165,013</u>	<u>\$ 3,675,912</u>
Total liabilities	\$ 222,786	\$ -
Total deferred inflows	2,410,982	2,263,585
Total fund balance	<u>1,531,245</u>	<u>1,412,327</u>
Total liabilities, deferred inflows and fund balance	<u>\$ 4,165,013</u>	<u>\$ 3,675,912</u>

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	\$ 2,379,037	\$ 2,156,278
Total expenditures	(2,260,119)	(1,818,208)
Revenues over expenditures	<u>\$ 118,918</u>	<u>\$ 338,070</u>

The District's financial resources in the Debt Service Fund in both the current and prior fiscal year are from property tax revenues. The difference between these financial resources and debt service requirements resulted in an increase in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025***

Capital Projects Fund

A comparative summary of the Capital Projects Fund's financial position as of December 31, 2025 and 2024, is as follows:

	2025	2024
Total assets	<u>\$ 87,844</u>	<u>\$ 84,940</u>
Total fund balance	<u>\$ 87,844</u>	<u>\$ 84,940</u>

A comparative summary of activities in the Capital Projects Fund for the current and prior fiscal year is as follows:

	2025	2024
Total revenues	<u>\$ 2,904</u>	<u>\$ 3,474</u>
Total expenditures	<u>-</u>	<u>-</u>
Revenues over expenditures	<u>\$ 2,904</u>	<u>\$ 3,474</u>

The District has not had any significant capital asset activity in the last two fiscal years.

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board did not amend the budget during the fiscal year.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was \$5,616 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developers for the financing of the construction of capital assets within the District. Developers will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer funded capital assets are recorded on the District's financial statements upon completion of construction.

***Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025***

Capital assets held by the District at December 31, 2025 and 2024, are summarized as follows:

	<u>2025</u>	<u>2024</u>
Capital assets not being depreciated		
Land and improvements	<u>\$ 1,685,157</u>	<u>\$ 1,685,157</u>
Capital assets being depreciated/amortized		
Landscaping and irrigation	6,314,509	6,314,509
Buildings	2,454,593	2,454,593
Connection charges	3,373,930	2,373,930
Drainage facilities	<u>3,831,791</u>	<u>3,205,465</u>
	<u>15,974,823</u>	<u>14,348,497</u>
Less accumulated depreciation/amortization		
Landscaping and irrigation	(2,703,937)	(2,387,686)
Buildings	(818,200)	(736,380)
Connection charges	(581,060)	(428,540)
Drainage facilities	<u>(492,120)</u>	<u>(406,970)</u>
	<u>(4,595,317)</u>	<u>(3,959,576)</u>
Depreciable capital assets, net	<u>11,379,506</u>	<u>10,388,921</u>
Capital assets, net	<u><u>\$ 13,064,663</u></u>	<u><u>\$ 12,074,078</u></u>

Capital asset additions during the current fiscal year include drainage facilities to serve Caliterra Phase 2 Section 7, Phase 3 Section 10 and Phase 5 Section 13 and connection charges paid to the City of Dripping Springs and Dripping Springs Water Supply Corporation.

The District and Dripping Spring Water Supply Corporation (the "Corporation") and the City of Dripping Spring (the "City") have entered into an agreement which obligates the District to construct water and wastewater facilities to serve the District and, when completed, to convey title to the facilities to the Corporation and City, respectively. Detention facilities and certain other capital assets are retained by the District. Additional information is presented in Notes 9 and 10, respectively.

Additionally, Hays County assumes responsibility (after a one-year maintenance period) for road facilities and storm sewer system constructed within the county's public right-of-way. Accordingly, these facilities are not considered assets of the District. The estimated value of these assets is recorded as transfers to other governments upon completion of construction. This estimated cost is trued-up when the developer is reimbursed. For the year ended December 31, 2025, capital assets in the amount of \$2,125,143 have been recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 8.

Long-Term Debt and Related Liabilities

As of December 31, 2025, the District owes approximately \$22,413,935 to developers for completed projects. The initial cost of the completed project and related liability is estimated based on actual construction costs plus 10-15% for engineering and other fees and is recorded on the District's

Hays County Development District No. 1
Management's Discussion and Analysis
December 31, 2025

financial statements upon completion of construction. As discussed in Note 5, the District has an additional commitment in the amount of \$11,790,000 for projects under construction by the developers. As noted, the District will owe its developer for these projects upon completion of construction. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost of amounts owed to the developer is trued up when the developer is reimbursed.

At December 31, 2025 and 2024, the District had total bonded debt outstanding as shown below:

Series		2024
2018 Road	\$ 4,950,000	\$ 5,075,000
2019 Road	3,640,000	3,740,000
2020	4,200,000	4,300,000
2021	6,525,000	6,700,000
2022	7,835,000	8,000,000
2023	12,100,000	12,100,000
	<u>\$ 39,250,000</u>	<u>\$ 39,915,000</u>

At December 31, 2025, the District had \$91,700,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing water, sewer and drainage improvements within the District and \$150,000,000 for the refunding of such bonds; \$45,585,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing roads within the District and \$70,000,000 for the refunding of such bonds; and \$123,000,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing for economic development and \$150,000,000 for the refunding of such bonds.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes and the projected cost of operating the District. A comparison of next fiscal year's budget to current fiscal year actual amounts for the General Fund is as follows:

	2025 Actual	2026 Budget
Total revenues	\$ 1,224,910	\$ 1,309,028
Total expenditures	<u>(1,217,031)</u>	<u>(1,047,460)</u>
Revenues over expenditures	7,879	261,568
Beginning fund balance	<u>1,620,932</u>	<u>1,628,811</u>
Ending fund balance	<u>\$ 1,628,811</u>	<u>\$ 1,890,379</u>

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Basic Financial Statements

Hays County Development District No. 1
Statement of Net Position - Governmental Activities
December 31, 2025

Assets

Cash	\$ 77,138
Investments	3,267,327
Deposits held by Hays County Tax Office	612,639
Taxes receivable	3,065,274
Other receivables	1,250
Capital assets not being depreciated	1,685,157
Capital assets, net	<u>11,379,506</u>
Total Assets	<u>20,088,291</u>

Liabilities

Accounts payable	97,232
Other payables	583
Accrued interest payable	393,997
Due to developer	22,413,935
Long-term debt	
Due within one year	930,000
Due after one year	<u>38,320,000</u>
Total Liabilities	<u>62,155,747</u>

Deferred Inflows of Resources

Deferred property taxes	<u>3,669,430</u>
-------------------------	------------------

Net Position

Net investment in capital assets	(8,119,699)
Restricted for debt service	1,142,714
Unrestricted	<u>(38,759,901)</u>
Total Net Position	<u><u>\$ (45,736,886)</u></u>

See notes to basic financial statements.

Hays County Development District No. 1
Statement of Activities - Governmental Activities
December 31, 2025

Expenses

Utility operations

Repairs and maintenance	\$ 836,948
Utilities	18,140

Administrative

Professional fees	215,781
Contracted services	139,058
Administrative	23,491
Miscellaneous	2,272

Debt service

Interest and fees	1,569,092
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Depreciation and amortization

635,741

Total Expenses

3,440,523

General Revenues

Property taxes	3,410,727
Penalties and interest	17,617
Investment earnings	183,381

Total General Revenues

3,611,725

Revenues Over Expenses

171,202

Other Items

Transfers to other governments	<u>(2,125,143)</u>
--------------------------------	--------------------

Change in net position

(1,953,941)

Net Position

Beginning of the year

(43,782,945)

End of the year

\$ (45,736,886)

See notes to basic financial statements.

Hays County Development District No. 1
Balance Sheet - Governmental Funds
December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Assets				
Cash	\$ 59,413	\$ -	\$ 17,725	\$ 77,138
Investments	1,654,197	1,543,011	70,119	3,267,327
Deposits held by Hays County Tax Office		612,639		612,639
Taxes receivable	1,055,911	2,009,363		3,065,274
Interfund receivables	222,786			222,786
Other receivables	1,250			1,250
Total Assets	<u>\$ 2,993,557</u>	<u>\$ 4,165,013</u>	<u>\$ 87,844</u>	<u>\$ 7,246,414</u>
Liabilities				
Accounts payable	\$ 97,232	\$ -	\$ -	\$ 97,232
Other payables	583			583
Interfund payables		222,786		222,786
Total Liabilities	<u>97,815</u>	<u>222,786</u>		<u>320,601</u>
Deferred Inflows of Resources				
Deferred property taxes	<u>1,266,931</u>	<u>2,410,982</u>		<u>3,677,913</u>
Fund Balances				
Restricted		1,531,245	87,844	1,619,089
Unassigned	<u>1,628,811</u>			<u>1,628,811</u>
Total Fund Balances	<u>1,628,811</u>	<u>1,531,245</u>	<u>87,844</u>	<u>3,247,900</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,993,557</u>	<u>\$ 4,165,013</u>	<u>\$ 87,844</u>	<u>\$ 7,246,414</u>

See accompanying auditor's report.

Hays County Development District No. 1
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
December 31, 2025

Total fund balance, governmental funds	\$ 3,247,900
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

Historical cost	\$ 17,659,980	
Less accumulated depreciation/amortization	<u>(4,595,317)</u>	
		13,064,663

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:

Accrued interest payable	(393,997)	
Due to developer	(22,413,935)	
Bonds payable	<u>(39,250,000)</u>	
		(62,057,932)

Deferred inflows in the fund statements consist of the unavailable portion of property taxes receivable, as well as collections of the District's 2025 property tax levy. In the *Statement of Net Position*, deferred inflows consist of the entire 2025 property tax levy.

Fund level deferred property taxes	3,677,913	
Government-wide level deferred property taxes	<u>(3,669,430)</u>	
		8,483

Total net position - governmental activities	<u><u>\$ (45,736,886)</u></u>
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See notes to basic financial statements.

Hays County Development District No. 1
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds
For the Year Ended December 31, 2025

	General Fund	Debt Service Fund	Capital Projects Fund	Total
Revenues				
Property taxes	\$ 1,135,867	\$ 2,269,986	\$ -	\$ 3,405,853
Penalties and interest	6,107	11,510		17,617
Investment earnings	82,936	97,541	2,904	183,381
Total Revenues	<u>1,224,910</u>	<u>2,379,037</u>	<u>2,904</u>	<u>3,606,851</u>
Expenditures				
Operating and administrative				
Professional fees	215,781			215,781
Contracted services	120,399	18,659		139,058
Repairs and maintenance	836,948			836,948
Utilities	18,140			18,140
Administrative	23,491			23,491
Miscellaneous	2,272			2,272
Debt service				
Principal		665,000		665,000
Interest and fees		1,576,460		1,576,460
Total Expenditures	<u>1,217,031</u>	<u>2,260,119</u>		<u>3,477,150</u>
Revenues Over Expenditures	7,879	118,918	2,904	129,701
Fund Balances				
Beginning of the year	<u>1,620,932</u>	<u>1,412,327</u>	<u>84,940</u>	<u>3,118,199</u>
End of the year	<u>\$ 1,628,811</u>	<u>\$ 1,531,245</u>	<u>\$ 87,844</u>	<u>\$ 3,247,900</u>

See notes to basic financial statements.

Hays County Development District No. 1
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of the Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2025

Net change in fund balances - total governmental funds \$ 129,701

Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for property taxes. 4,874

Financial reporting for capital assets varies significantly between the fund statements and the government-wide statements. Reporting at the fund level focuses on the impact of transactions on financial resources (i.e., cash), while reporting at the government-wide level seeks to allocate the cost of the acquisition of capital assets over their useful lives and to measure the economic impact of developer financing of capital assets used by the District or conveyed to other governmental entities.

Differences during the current fiscal year are for the following:

Transfers to other governments	\$ (2,125,143)	
Depreciation/amortization expense	(635,741)	
		(2,760,884)

Financial reporting for long-term obligations varies between the fund statements and the government-wide statements. At the fund level, the focus is on increases and decreases of financial resources as liabilities are acquired and repaid. At the government-wide level, the focus is on measuring and reporting on changes in the District's obligation to repay liabilities in the future.

Differences during the current fiscal year are for the following:

Principal payments	665,000	
Interest expense accrual	7,368	
		672,368

Change in net position of governmental activities	<u>\$ (1,953,941)</u>
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See notes to basic financial statements.

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of Hays County Development District No. 1 (the “District”) conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). The following is a summary of the most significant policies:

Creation

The District was organized, created and established pursuant to an order of the Hays County Commissioner’s Court, dated January 11, 2000, and operates in accordance with the powers granted by Article XVI, Section 59, Article III, Sections 52 and 52a of the Constitution of the State of Texas, and Chapter 383 of the Texas Local Government Code. The creation of the District was confirmed by passage of SB 1823 Regular Session of the Texas Legislature (2001) and the powers of the District were expanded and clarified by passage of HB 4184, Regular Session of the Texas Legislature (2015). The Board of Directors held its first meeting on February 7, 2000, and the first bonds were issued on May 10, 2018.

The District is responsible for providing water, sewer and drainage facilities within the District. As further discussed in Notes 9 and 10, the District transfers certain water and wastewater facilities to Dripping Springs Water Supply Corporation and the City of Dripping Springs, for operation and maintenance upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an appointed five-member board. The GASB has established the criteria for determining the reporting entity for financial statement reporting purposes. To qualify as a primary government, a government must have a separately appointed governing body, be legally separate, and be fiscally independent of other state and local governments, while a component unit is a legally separate government for which the appointed officials of a primary government are financially accountable. Fiscal independence implies that the government has the authority to adopt a budget, levy taxes, set rates, and/or issue bonds without approval from other governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or “major” funds with non-major funds aggregated in a single column. The District has three governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District’s and all other financial transactions not reported in other funds. The principal source of revenue is property taxes. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District’s general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the District’s water, sewer, drainage and road facilities.

Measurement Focus and Basis of Accounting

The government-wide financial statements use the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes and interest earned on investments. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

reported separately and are not offset, unless a legal right of offset exists. At December 31, 2025, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is eliminated in the government-wide financial statement presentation.

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost that exceeds the capitalization threshold for the asset class and an estimated useful life in excess of one year. Capital assets that individually are below the capitalization threshold but, in the aggregate, are above the threshold are capitalized. Subsequent replacements of these assets that do not exceed the threshold are not capitalized. The District's capitalization threshold for infrastructure assets is \$50,000. The threshold for subscription-based information technology arrangements (SBITAs) is \$100,000.

Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Landscaping and irrigation	10-20 years
Buildings	30 years
Connection charges	30 years (max)
Drainage facilities	45 years

The District's detention facilities are considered improvements to land and are non-depreciable.

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

financial resources. Additionally, collections of the 2025 property tax levy are not considered current year revenues and, consequently, are also reported as deferred property taxes.

Deferred inflows of financial resources at the government-wide level consist of the 2025 property tax levy, which was levied to finance the 2026 fiscal year.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District’s investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District’s restricted fund balances consist of unspent bond proceeds in the Capital Projects Fund and property taxes levied for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

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 amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to other entities and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third-party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of December 31, 2025, the District's investments consist of the following:

Type	Fund	Carrying Value	Rating	Weighted Average Maturity
TexPool	General	\$ 1,654,197	AAAm	35 days
	Debt Service	1,543,011		
	Capital Projects	70,119		
		<u>\$ 3,267,327</u>		

TexPool

The District participates in TexPool, the Texas Local Government Investment Pool. The State Comptroller of Public Accounts exercises oversight responsibility of TexPool, which includes (1) the ability to significantly influence operations, (2) designation of management and (3) accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

As permitted by GAAP, TexPool uses amortized cost (which excludes unrealized gains and losses) rather than market value to compute share price and seeks to maintain a constant dollar value per share. Accordingly, the fair value of the District's position in TexPool is the same as the value of TexPool shares. Investments in TexPool may be withdrawn on a same day basis, as long as the transaction is executed by 3:30 p.m.

Investment Credit and Interest Rate Risk

Investment credit risk is the risk that the investor may not recover the value of an investment from the issuer, while interest rate risk is the risk that the value of an investment will be adversely affected by changes in interest rates. The District's investment policies do not address investment credit and interest rate risk beyond the rating and maturity restrictions established by state statutes.

Note 3 – Interfund Balances and Transactions

Amounts due to/from other funds at December 31, 2025, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	\$ 222,786	Maintenance tax collections not remitted as of year end and appraisal district fees paid by the General Fund

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 4 – Capital Assets

A summary of changes in capital assets, for the year ended December 31, 2025, is as follows:

	Beginning Balances	Additions	Ending Balances
Capital assets not being depreciated			
Land and improvements	\$ 1,685,157	\$ -	\$ 1,685,157
Capital assets being depreciated/amortized			
Landscaping and irrigation	6,314,509		6,314,509
Buildings	2,454,593		2,454,593
Connection charges	2,373,930	1,000,000	3,373,930
Drainage facilities	3,205,465	626,326	3,831,791
	<u>14,348,497</u>	<u>1,626,326</u>	<u>15,974,823</u>
Less accumulated depreciation/amortization			
Landscaping and irrigation	(2,387,686)	(316,251)	(2,703,937)
Buildings	(736,380)	(81,820)	(818,200)
Connection charges	(428,540)	(152,520)	(581,060)
Drainage facilities	<u>(406,970)</u>	<u>(85,150)</u>	<u>(492,120)</u>
	<u>(3,959,576)</u>	<u>(635,741)</u>	<u>(4,595,317)</u>
Subtotal depreciable capital assets, net	<u>10,388,921</u>	<u>990,585</u>	<u>11,379,506</u>
Capital assets, net	<u>\$ 12,074,078</u>	<u>\$ 990,585</u>	<u>\$ 13,064,663</u>

Depreciation/amortization expense for the current fiscal year was \$635,741.

Note 5 – Due to Developers

The District has entered into financing agreements with its developers for the financing of the construction of water, sewer and drainage facilities, landscaping and irrigation buildings, and road improvements. Under the agreements, the developers will construct facilities on behalf of the District. The developers will be reimbursed from proceeds of future bond issues or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

Changes in the estimated amounts due to developers during the fiscal year are as follows:

Due to developer, beginning of year	\$ 18,662,466
Developer funded construction	2,751,469
Developer funded water service connection charges	<u>1,000,000</u>
Due to developer, end of year	<u><u>\$ 22,413,935</u></u>

In addition, the District will owe the developers approximately \$11,790,000 for the Ranch at Caliterra project. The exact amount due to the developer is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, the project will be reported in the government-wide financial statements upon completion of construction.

Note 6 – Long-Term Debt

Long-term debt is comprised of the following:

Bonds payable	<u><u>\$ 39,250,000</u></u>
Due within one year	<u><u>\$ 930,000</u></u>

The District's bonds payable at December 31, 2025, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2018 Road	\$ 4,950,000	\$ 5,400,000	2.60% - 4.00%	April 1, 2022 - 2046	April 1, October 1	April 1, 2023
2019 Road	3,640,000	4,015,000	3.00% - 5.00%	April 1, 2022 - 2046	April 1, October 1	April 1, 2024
2020	4,200,000	4,500,000	2.00% - 4.50%	April 1, 2023 - 2048	April 1, October 1	April 1, 2025
2021	6,525,000	6,700,000	2.00% - 4.00%	April 1, 2025 - 2050	April 1, October 1	April 1, 2026
2022	7,835,000	8,000,000	4.50% - 6.00%	April 1, 2025-2050	April 1, October 1	April 1, 2027
2023	12,100,000	12,100,000	4.375% - 6.500%	April 1, 2026 - 2051	April 1, October 1	April 1, 2028
	<u><u>\$ 39,250,000</u></u>					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

At December 31, 2025, the District had \$91,700,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing water, sewer and drainage improvements within the District and \$150,000,000 for the refunding of such bonds; \$45,585,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing roads within the District and \$70,000,000 for the refunding of such bonds; and \$123,000,000 in unlimited tax bonds authorized, but unissued for the purpose or purposes of providing for economic development and \$150,000,000 for the refunding of such bonds.

The change in the District's long-term debt during the year is as follows:

Bonds payable, beginning of year	\$ 39,915,000
Bonds retired	(665,000)
Bonds payable, end of year	<u>\$ 39,250,000</u>

As of December 31, 2025, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2026	\$ 930,000	\$ 1,536,393	\$ 2,466,393
2027	975,000	1,491,555	2,466,555
2028	1,030,000	1,448,086	2,478,086
2029	1,085,000	1,405,152	2,490,152
2030	1,115,000	1,360,785	2,475,785
2031	1,165,000	1,315,843	2,480,843
2032	1,245,000	1,269,030	2,514,030
2033	1,285,000	1,221,230	2,506,230
2034	1,320,000	1,173,331	2,493,331
2035	1,405,000	1,122,800	2,527,800
2036	1,465,000	1,068,850	2,533,850
2037	1,510,000	1,013,559	2,523,559
2038	1,570,000	956,850	2,526,850
2039	1,665,000	896,276	2,561,276
2040	1,735,000	831,929	2,566,929
2041	1,785,000	764,728	2,549,728
2042	1,910,000	693,840	2,603,840
2043	1,990,000	618,604	2,608,604
2044	2,070,000	539,750	2,609,750
2045	2,175,000	456,851	2,631,851
2046	2,250,000	369,762	2,619,762
2047	1,700,000	290,627	1,990,627
2048	1,790,000	219,093	2,009,093
2049	1,590,000	147,368	1,737,368
2050	1,660,000	75,938	1,735,938
2051	830,000	19,713	849,713
	<u>\$ 39,250,000</u>	<u>\$ 22,307,943</u>	<u>\$ 61,557,943</u>

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

Note 7 – Property Taxes

On November 7, 2000, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations without limitation. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Hays Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2025 fiscal year was financed through the 2024 tax levy, pursuant to which the District levied property taxes of \$0.90 per \$100 of assessed value, of which \$0.30 was allocated to maintenance and operations, \$0.46 was allocated to debt service and \$0.14 was allocated to road debt service. The resulting tax levy was \$3,392,666 on the adjusted taxable value of \$376,962,852.

Property taxes levied each October are intended to finance the next fiscal year and are, therefore, not considered available for the District's use during the current fiscal year. Consequently, 2025 levy collections in the amount of \$612,639 have been included with deferred property taxes and are recorded as deferred inflows of resources on the *Governmental Funds Balance Sheet*. On the government-wide *Statement of Net Position*, the full 2025 tax levy of \$3,669,430 is reported as deferred inflows. These amounts will be recognized as revenue in 2026.

Property taxes receivable, at December 31, 2025, consisted of the following:

Current year taxes receivable	\$ 3,056,791
Prior years taxes receivable	8,483
Total taxes receivable	<u>\$ 3,065,274</u>

Note 8 – Transfers to Other Governments

In accordance with an agreement between the District and Dripping Springs Water Supply Corporation (the "Corporation") and the City of Dripping Springs (the "City"), the District transfers all of its wastewater and water facilities to the City and Corporation, respectively. See Notes 9 and 10 for additional information. Additionally, Hays County assumes responsibility (after a one-year maintenance period) for road facilities and storm sewer systems constructed within the county's public right-of-way. Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended December 31, 2025, the District reported transfers to other governments in the amount of for \$2,125,143 projects completed and transferred to the City and the Corporation.

Note 9 – Retail Water Service Agreement with Dripping Springs Water Supply Corporation

On August 29, 2013, the District entered into an agreement with Dripping Springs Water Supply Corporation (the “Corporation”) for construction and extension of water distribution lines to serve the District. As the system is acquired or constructed, the District shall transfer the system to the Corporation but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 15 years, extendable for three additional 5-year terms.

The Developer on behalf of the District will pay to the Corporation a one-time Front End Capital Contribution Fee based on 550 LUEs (an amount of water services sufficient for one living unit equivalent). The total Contribution Fee is \$1,100,000 (550 LUE x \$2,000), of which \$125,000 was payable to the Corporation upon execution of this Agreement. Additionally, the District is required to pay \$50,000 in quarterly installments beginning on August 30, 2014, and continuing until the last payment is made on August 30, 2019. As of December 31, 2025, the District has paid all amounts due to the Corporation for the Contribution Fee.

Each District Customer will pay the Corporation the West Travis County Public Utility Agency (WTCPUA) Connection Fee for its respective connection. The amount of the WTCPUA Connection Fee is based on the amount of the Connection Fee charged to the Corporation by the WTCPUA under the WTCPUA Water Services Agreement and is currently \$5,500 per LUE; however, the amount of this fee may change from time to time.

On October 22, 2024, the District entered into another agreement with the Corporation for the provision of water service up to 433 LUEs (an amount of water services sufficient for one living unit equivalent) to 259 acres of land (“Property”) within the District. The Corporation will serve as the retail water supplier to customers located within the boundaries of the District. The Developer agrees to construct, at its sole cost, the facilities required to extend the water System. The term of the agreement is 20 years.

The Developer on behalf of the District will pay to the Corporation a one-time Capital Contribution Fee based on 433 LUEs, totals \$1,905,200 (433 LUEs x \$4,400) and the Elevated Storage Tank payment of \$433,000 (433 LUEs x \$1,000). The combined payments are \$2,338,200, of which \$1,000,000 was payable to the Corporation upon execution of this Agreement. As of December 31, 2025, the Developer has paid \$2,000,000 in connection charges to the Corporation. Additionally, the District is required to pay the remaining balance of \$338,200 in installments by January 15, 2026 and continuing until the last payment on April 15, 2026.

Water rates charged by the Corporation to users in the District, shall be the same rates charged to similar users within the Corporation’s territory. All revenue derived from these charges belongs to the Corporation.

Note 10 – Wastewater Service Agreement with the City of Dripping Springs

On January 27, 2014, the District entered into an agreement and first amendment to the agreement with the City of Dripping Springs (the “City”) for construction and extension of sanitary sewer collection systems to serve the District. To the extent that the City has entered into contracts for

Hays County Development District No. 1
Notes to Financial Statements
December 31, 2025

design and construction of related facilities and, as work is performed under those contracts, the District is obligated to pay or reimburse the City its pro rata share of costs as established in the agreement. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District.

On April 13, 2014, the District approved the second amendment to expand the permitted disposal capacity from 300,000 gallons per day (GPD) to 348,500 GPD.

Sewer rates charged by the City to users in the District shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

Note 11 – Cost Sharing Agreement with Caliterra Homeowners Association

On December 29, 2025, the District entered into a cost sharing agreement with Caliterra Homeowners Association (the “HOA”) to maintain additional recreational facilities. The District will bill the HOA semi-annually in December and May of each year to share the cost of the additional landscaping and maintenance. This payment by the HOA is due by the following February 1 and August 1. The initial payment amount for 2026 is \$75,000. Each year the annual payment will increase by 3.0% from the previous annual payment, provided however the annual payment never exceeds \$100,000. The term of the agreement is 5 years and continues thereafter from year to year and may be terminated by either party with 90 days written notice.

Note 12 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Required Supplementary Information

***Hays County Development District No. 1
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended December 31, 2025***

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Property taxes	\$ 1,102,923	\$ 1,135,867	\$ 32,944
Penalties and interest		6,107	6,107
Investment earnings	72,000	82,936	10,936
Total Revenues	<u>1,174,923</u>	<u>1,224,910</u>	<u>49,987</u>
Expenditures			
Operating and administrative			
Professional fees	299,000	215,781	83,219
Contracted services	122,000	120,399	1,601
Repairs and maintenance	695,400	836,948	(141,548)
Utilities	21,000	18,140	2,860
Administrative	30,460	23,491	6,969
Miscellaneous	4,800	2,272	2,528
Total Expenditures	<u>1,172,660</u>	<u>1,217,031</u>	<u>(44,371)</u>
Revenues Over Expenditures	2,263	7,879	5,616
Fund Balance			
Beginning of the year	<u>1,620,932</u>	<u>1,620,932</u>	
End of the year	<u>\$ 1,623,195</u>	<u>\$ 1,628,811</u>	<u>\$ 5,616</u>

Hays County Development District No. 1
Notes to Required Supplementary Information
December 31, 2025

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. There were no amendments to the budget during the year.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

28 Liberty Street, 59th Floor
New York, New York 10005

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN