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OFFICIAL STATEMENT DATED MARCH 7, 2024

NEW ISSUE -BOOK-ENTRY-ONLY

RATINGS: BAM Insured S&P “AA” (stable outlook);

Underlying Moody’s “Baa2”

See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

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

THE DISTRICT HAS DESIGNATED THE BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.

\$3,250,000

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

(A Political Subdivision of the State of Texas Located in Travis County, Texas)

UNLIMITED TAX BONDS, SERIES 2024

Dated: April 4, 2024

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

Interest on the \$3,250,000 Wilbarger Creek Municipal Utility District No. 1 Unlimited Tax Bonds, Series 2024 (the “Bonds”) will accrue from the Date of Initial Delivery, defined below, and is payable September 1, 2024 and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”). The Bonds are obligations solely of Wilbarger Creek Municipal Utility District No. 1 (the “District”) and are not obligations of the City of Manor, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.

The payment of the 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”)**. See “BOND INSURANCE.”



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS, AND CUSIP NUMBERS**
(see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the District payable solely from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. See “THE BONDS - Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. **INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN.** See “INVESTMENT CONSIDERATIONS” herein.

The Bonds are offered by the initial purchaser (the “Initial Purchaser”) subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District. Delivery of the Bonds in book-entry form is expected through the facilities of DTC on or about April 4, 2024 (the “Date of Initial Delivery”) in Austin, Texas.

**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, REDEMPTION PROVISIONS, AND CUSIP NUMBERS
(Due September 1)**

CUSIP Prefix: 967795

		Initial					Initial				
Due	Principal Amount	Interest Rate ^(a)	Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount	Interest Rate ^(a)	Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due	Principal Amount
2024	25,000	6.000%	3.450%	EA9	2033	*	45,000	5.500%	3.100%	EK7	
2025	25,000	6.000%	3.300%	EB7	2034	*	50,000	4.000%	3.250%	EL5	
2026	20,000	6.000%	3.150%	EC5	**	**	**	**	**	**	**
2027	25,000	6.000%	3.000%	ED3	2044	*	100,000	4.000%	4.030%	EW1	
2028	30,000	6.000%	3.000%	EE1	2045	*	105,000	4.000%	4.060%	EX9	
2029	35,000	6.000%	3.000%	EF8	2046	*	110,000	4.000%	4.080%	EY7	
2030	35,000	6.000%	3.050%	EG6	2047	*	940,000	4.000%	4.100%	EZ4	
2031	* 40,000	6.000%	3.050%	EH4	2048	*	985,000	4.000%	4.120%	FA8	
2032	* 45,000	6.000%	3.100%	EJ0							
<p>\$235,000 4.000% ^(a) Term Bond due September 1, 2038* Yield 3.650% ^(b) CUSIP Suffix EQ4 ^(c)</p> <p>\$225,000 4.000% ^(a) Term Bond due September 1, 2041* Yield 3.900% ^(b) CUSIP Suffix ET8 ^(c)</p> <p>\$175,000 4.000% ^(a) Term Bond due September 1, 2043* Yield 4.00% ^(b) CUSIP Suffix EV3 ^(c)</p>											

* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds maturing September 1, 2038, September 1, 2041, and September 1, 2043 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for the purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.00% of par, resulting in a net effective interest rate to the District of 4.202151%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor Public Finance Group LLC, the District's financial advisor (the "Financial Advisor"), is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTMENT 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 HEADINGS "BOND INSURANCE" AND "APPENDIX C – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."

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USE OF INFORMATION IN OFFICIAL STATEMENT

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinion, or that they will be realized.

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the 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 the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the "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 the other matters described herein since the date hereof. However, the District has agreed to keep the "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating the Official Statement during Underwriting Period."

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

THE CONTENTS OF THIS OFFICIAL STATEMENT ARE NOT TO BE CONSTRUED AS LEGAL, BUSINESS, OR TAX ADVICE, AND PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN ATTORNEYS AND BUSINESS AND TAX ADVISORS.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.00% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of 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 Initial Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

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

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE “SEC”) NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

No registration statement relating to the offer and sale of the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration 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.

The statements contained in this Official Statement, and in other information provided by the District or Developer, that are not purely historical, are forward-looking statements, including regarding the District’s expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and neither the District nor the Developer assumes any obligation to update any such forward-looking statements. See “INVESTMENT CONSIDERATIONS– Forward-Looking Statements.”

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) assigned the insured rating of “AA” (stable outlook) to the Bonds as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa2” to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgment of such company, circumstances warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

Concurrently, with the issuance of the Bonds, 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 guarantee 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 solely 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: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.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. An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. 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 December 31, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$500.0 million, \$230.7 million and \$269.3 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 www.buildamerica.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 www.buildamerica.com/videos. (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 www.buildamerica.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.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Investment in the Bonds is subject to certain investment considerations. See “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

The District	<p>Wilbarger Creek Municipal Utility District No. 1 (the “District”), a political subdivision of the State of Texas (the “State”), was created by an order of the Texas Natural Resource Conservation Commission, predecessor of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), dated May 30, 2002, and confirmed pursuant to an election held within the District on May 3, 2003. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 300.42 acres. See “THE DISTRICT – General.”</p> <p>The District is one of four political subdivisions, also including Cottonwood Creek Municipal Utility District No. 1 (“Cottonwood Creek MUD No. 1”), Travis County Municipal Utility District No. 2 (“Travis County MUD No. 2”), and Wilbarger Creek Municipal Utility District No. 2 (“Wilbarger Creek MUD No. 2”) (collectively, the “Participants” and individually, a “Participant”), created to provide water, wastewater, and storm drainage to approximately 1,514 acres located within eastern Travis County, Texas. See “THE MASTER DISTRICT.”</p>
Location	<p>The District is located north, and within the extraterritorial jurisdiction, of the City of Manor, Texas (“Manor” or the “City”), and entirely located within Travis County, Texas (the “County”). The District is located approximately ten miles northeast of the central business district of the City of Austin, and is on the north side of U.S. Highway 290. See “LOCATION MAP” and “THE DISTRICT - Location.”</p>
Master District Service Area	<p>The Participants currently comprise approximately 1,514 acres (the “Service Area”) which comprise two master planned communities (ShadowGlen and Presidential Meadows) designed ultimately to contain single-family, multi-family, commercial, retail, and office development as well as recreational amenities. All of the Participants have designated Wilbarger Creek MUD No. 2 (the “Master District”) to serve as the master district and regional provider of all major water, wastewater, and drainage facilities to serve the Service Area pursuant to the provisions of the “Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment, and Disposal Facilities, Regional Water Supply and Delivery Facilities, and Regional Drainage, Including Water Quality, Facilities” (the “Master District Contract”), between the Master District and the Participants. Each Participant has agreed to levy a contract tax, unlimited as to rate or amount, as necessary to pay costs under the Master District Contract, including its pro rata share of debt service on bonds issued by the Master District for the regional water, wastewater, and drainage facilities (the “Master District Facilities”). Each Participant is responsible for constructing and financing its own internal water, wastewater, and drainage facilities. See “THE MASTER DISTRICT” and “INVESTMENT CONSIDERATIONS.”</p>
The Developer	<p>The developer currently active within the District is SG Land Holdings LLC, a Delaware limited liability company (the “Developer”), which is owned by Southwest Shadow Holdings LLC, a Delaware limited liability company (“Southwest Shadow Holdings”), and Southwest Equity Partners LLC, a Delaware limited liability company. The Developer has engaged Argent Management LLC, a Delaware limited liability company (“Argent Management”), as its development manager to manage the development of the District. The Developer has also sold tracts of land to builders that are self-developing lots, but the Developer has retained reimbursement rights to those tracts of land. Southwest Shadow Holdings is a subsidiary of JNI, LLC (“JNI”), a Delaware limited liability company. JNI is a parent company of various other subsidiaries and affiliates which develop master-planned communities around the United States, often under the brand name SunCal, with development management performed by affiliate Argent Management. See “THE DEVELOPER.”</p>
Status of Development	<p>The District contains approximately 300.42 acres. As of January 10, 2024, approximately 218.10 acres (or 76.93% of the approximately 283.42 developable acres within the District) have been developed with utility facilities as the single-family residential subdivision ShadowGlen, Phase 2, Sections 15A, 15B, 19A, 19B, 20, 22, 23, 24A, 24B, 25, 26, 27A, 27B, 28A, and 28B, which encompass a total of 960 single-family lots, and include 922 completed homes, 12 homes under construction, and 26 vacant single-family lots. An apartment complex, The Flats at ShadowGlen, containing 248 apartment units on approximately 12.18 acres is also located within the District. Additional development within the District</p>

includes utility facilities serving approximately 10.002 acres of commercial development, an elementary school on approximately 11.60 acres, and approximately 4.30 acres of road improvements on Misty Grove Boulevard and Silent Falls Ways. Commercial improvements include a Chevron gas station, and an office building complex called the Studios at ShadowGlen. The remaining land within the District is comprised of approximately 22.9530 undeveloped but developable acres and approximately 27.3370 undevelopable acres, which include open space and drainage easements. See “THE DISTRICT – Historical and Current Status of Development.”

Homebuilders According to the Developer, there are currently three active homebuilders within the District: Meritage Homes, Perry Homes, and Terrata Homes. Homes within the District range in price from approximately \$209,990 to \$589,900, with square footage ranging from approximately 1,391 to 3,050 square feet. See “THE DEVELOPER – Homebuilders within the District.”

THE BONDS

Description The \$3,250,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) mature serially in varying amounts on September 1 of each year from 2024 through 2034, inclusive, and from 2044 through 2048, inclusive, and as Term Bonds, which mature September 1, 2038, September 1, 2041, and September 1, 2043 (the “Term Bonds”), as set forth on the inside cover page hereof. Interest accrues from the Date of Initial Delivery (anticipated to be on or around April 4, 2024) at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2024 and each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS - General Description.”

Redemption The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Term Bonds maturing September 1, 2038, September 1, 2041, and September 1, 2043, are also subject to mandatory sinking fund redemption. See “THE BONDS - Redemption.”

Source of Payment Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not legally limited as to rate or amount. See “TAXING PROCEDURES.” **The Bonds are obligations solely of the District and are not obligations of the City of Manor, Texas; Travis County, Texas; the State of Texas; or any entity other than the District.** See “THE BONDS - Source of and Security for Payment.”

Payment Record The Bonds constitute the fifth (5th) installment of bonds issued by the District. The District has never defaulted in the timely payment of principal of or interest on its obligations entitled: “\$3,030,000 Unlimited Tax Bonds, Series 2018,” “\$2,250,000 Unlimited Tax Bonds, Series 2020,” “\$3,250,000 Unlimited Tax Bonds, Series 2021,” and “\$4,400,000 Unlimited Tax Bonds, Series 2022.” The proceeds of the foregoing installments of unlimited tax new money bonds included up to twenty-four (24) months of capitalized interest. After the issuance of the Bonds, the District will have \$15,720,000 aggregate principal amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT – Outstanding Bonds – Table 6.”

In addition to the direct debt obligations of the District, the District is party to the Master District Contract under which the District has agreed to pay a pro rata share of debt service on contract tax bonds issued from time to time by the Master District for the Master District Facilities to provide regional water, wastewater, and drainage to all Participants (the “Contract Tax Bonds”). Each Participant has entered into the Master District Contract. The Master District has outstanding a total of \$28,765,000 aggregate principal amount of contract tax bonds issued as the following: \$2,995,000 Unlimited Contract Tax Refunding Bonds, Series 2012; \$4,155,000 Unlimited Contract Tax Bonds, Series 2017; \$4,460,000 Unlimited Contract Tax Bonds, Series 2018; \$6,000,000 Unlimited Contract Tax Bonds, Series 2019; \$2,010,000 Unlimited Contract Tax Refunding Bonds, Series 2020; and \$12,285,000 Unlimited Contract Tax Bonds, Series 2021 (collectively, the “Outstanding Contract Tax Bonds”). Of such Outstanding Contract Tax Bonds, \$7,592,815 (26.40%) represents the District’s pro rata share of debt service based on the 2023 Certified Assessed Valuation of \$1,341,310,353 of the Service Area. See “THE MASTER DISTRICT – General” and “- Contract Tax Bonds.” To date, the District has not defaulted on any contract payments made to the Master District in connection with the Outstanding Contract Tax Bonds.

Authority for
Issuance The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on May 7, 2005 (the “Bond Election”); an approving order of the TCEQ; and an

order adopted by the Board of Directors of the District on the date of the sale of the Bonds authorizing the issuance of the Bonds (the “Bond Order”). See “THE BONDS - Authority for Issuance.”

Use of Proceeds..... The proceeds of the Bonds will be used to finance the District’s share of: (i) the water, wastewater, and drainage facilities serving single-family development in ShadowGlen Phase 2, Section 23A; (ii) the remaining costs for water, wastewater, and drainage facilities to serve ShadowGlen Phase 2, Sections 25 and 26; and (iii) engineering and permitting fees.

The remaining Bond proceeds will be used to: (i) capitalize approximately twenty-four (24) months’ interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”

Bonds Authorized But

Unissued..... At an election held within the District on May 7, 2005, voters within the District authorized a total of \$29,900,000 in aggregate principal amount of unlimited tax bonds for the purpose of acquiring and constructing water, wastewater, and drainage facilities. The Bonds constitute the fifth (5th) installment of bonds issued by the District. After the issuance of the Bonds, the District will have \$13,720,000 aggregate principal amount of remaining authorized but unissued new money unlimited tax bonds for water, wastewater, and drainage facilities. Additionally, at the election held in the District on May 7, 2005, the voters within the District approved the issuance of \$4,985,000 in aggregate principal amount of unlimited tax bonds for the acquisition and construction of parks and recreational facilities, and the issuance of unlimited tax refunding bonds in an amount not to exceed one and one-half times the amount of water, wastewater, and drainage new money bonds and park and recreational new money bonds issued, all of which remains authorized but unissued. See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6” and “THE BONDS – Issuance of Additional Debt.”

Future Debt..... Pursuant to the Master District Contract, the District has agreed to pay a pro rata share of maintenance expenses and debt service on Contract Tax Bonds issued from time to time by the Master District for Master District Facilities.

Municipal Bond Ratings

and Bond Insurance..... S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) assigned the insured rating of “AA” (stable outlook) to the Bonds as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”) at the time of delivery of the Bonds. Additionally, Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying rating of “Baa2” to the Bonds.

Qualified Tax-Exempt

Obligations The District has designed the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2024 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”

General Counsel Armbrust & Brown, PLLC, Austin, Texas.

Bond Counsel

and Disclosure Counsel McCall, Parkhurst & Horton L.L.P., Austin, Texas.

Financial Advisor Public Finance Group LLC, Austin, Texas.

Engineer..... Schroeder Engineering Company, Austin, Texas.

Paying Agent / Registrar UMB Bank, N.A., Austin, Texas.

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INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to investment in the Bonds.

SELECTED FINANCIAL INFORMATION

(Unaudited)

2023 Certified Assessed Valuation	\$ 354,247,885 ^(a)
Estimated Assessed Valuation as of January 10, 2024	\$ 402,388,708 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	
Direct Debt	\$ 15,720,000
Contract Debt	<u>7,592,815</u>
Total Debt	\$ 23,312,815 ^(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation	6.58%
Ratio of Gross Debt to the Estimated Assessed Valuation as of January 10, 2024	5.79%
2023 Tax Rate	
Debt Service	\$ 0.1385
Maintenance	0.2335
Contract	<u>0.3500</u>
Total 2023 Tax Rate	<u><u>\$ 0.7220</u></u> ^(d)
Debt Service Fund Balance (as of March 7, 2024)	\$ 719,285 ^(e)
Percentage of current tax collections (Tax Years 2013-2023)	99.50% ^(f)
Percentage of total tax collections (Tax Years 2013-2023)	99.59% ^(f)
Average Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Average Requirement") (2024-2048, inclusive)	\$ 992,229 ^(g)
Tax Rate required to pay Average Requirement based upon 2023 Certified Assessed Valuation at 95% collections	\$ 0.30 /\$100 AV
Tax Rate required to pay Average Requirement based upon Estimated Assessed Valuation as of January 10, 2024 at 95% collections	\$ 0.26 /\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Projected Maximum Requirement") (2048)	\$ 1,024,400 ^(g)
Tax Rate required to pay Maximum Required upon 2023 Certified Assessed Valuation at 95% collections	\$ 0.31 /\$100 AV
Tax Rate required to pay Maximum Requirement based upon Estimated Assessed Valuation as of January 10, 2024 at 95% collections	\$ 0.27 /\$100 AV
Number of active connections as of January 10, 2024	
Single Family - Complete and Occupied	922
Single Family - Builder	<u>12</u>
Total Number of Active Connections	934
Estimated Population as of January 10, 2024	2,766 ^(h)

(Footnotes appear on following page)

- (a) The certified assessed valuation as of January 1, 2023, as provided by Travis Central Appraisal District (“TCAD”). See “TAXING PROCEDURES.”
- (b) The estimated assessed valuation as of January 10, 2024, as provided by TCAD, is included solely for purposes of illustration. No taxes will be levied on this estimated assessed valuation unless it is certified by TCAD. See “TAXING PROCEDURES.”
- (c) Includes the Bonds. The District is a party to the Master District Contract (defined herein) whereby the District is obligated to pay a pro rata share of debt service on the Contract Tax Bonds (defined herein) issued from time to time by the Master District to acquire, construct, purchase, and maintain certain facilities to provide regional water, wastewater, and drainage services to all Participants (defined herein). The Master District has issued six series of new money Contract Tax Bonds and four series of refunding Contract Tax Bonds in the aggregate principal amount of \$53,670,000 of which \$28,765,000 will remain outstanding through the Date of Initial Delivery. The contract debt amount reflects the District’s pro rata share of debt service in the amount of \$7,592,815 (26.40%) based on the 2023 Certified Assessed Valuation of \$1,341,310,353 of the Service Area. See “THE MASTER DISTRICT – Contract Tax Bonds.”
- (d) The District’s Board, at its meeting in September 2023, levied a total tax rate of \$0.7220. See “TAXING PROCEDURES.”
- (e) Unaudited as of March 7, 2024. Does not include approximately twenty-four (24) months of capitalized interest (\$273,140) included in the Bond proceeds, to be deposited into the District’s Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund.
- (f) See “TAX DATA – Tax Collections – Table 10.”
- (g) See “DEBT SERVICE REQUIREMENTS – TABLE 3.”
- (h) Based upon 3.0 residents per completed and occupied single family home.

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OFFICIAL STATEMENT
relating to
\$3,250,000
Wilbarger Creek Municipal Utility District No. 1
(A Political Subdivision of the State of Texas Located in Travis County, Texas)
UNLIMITED TAX BONDS, SERIES 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Wilbarger Creek Municipal Utility District No. 1 (the “District”), a political subdivision of the State of Texas (the “State”), of its \$3,250,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Constitution, and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on May 7, 2005; and an approving order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District c/o Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701, or from the District’s Financial Advisor, Public Finance Group LLC, 500 West 2nd Street, Suite 1900, Austin, Texas 78701, upon payment of reasonable copying, mailing, and handling charges.

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

THE BONDS

General Description

The Bonds will bear interest from the Date of Initial Delivery (currently anticipated to be on or around April 4, 2024) and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2024 and each March 1 and September 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

Redemption

Optional Redemption... The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 2030, or on any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

Mandatory Sinking Fund Redemption... In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2038, September 1, 2041, and September 1, 2043 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

\$235,000 Term Bond Maturing September 1, 2038	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2035	\$ 50,000
2036	55,000
2037	65,000
2038*	65,000

\$225,000 Term Bond Maturing September 1, 2041	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2039	\$ 70,000
2040	75,000
2041*	80,000

\$175,000 Term Bond Maturing September 1, 2043	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2042	\$ 85,000
2043*	90,000

*Stated Maturity

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

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

The Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered.

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

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of the Term Bonds, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof, within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of the Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate, and such sinking fund installment in the case of the Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

DTC Redemption Provision

The Paying Agent/Registrar and the District, so long as a book-entry-only system is used for the Bonds, will send any notice of optional redemption, notice of proposed amendment to the Bond Order, or other notices with respect to the Bonds only to DTC. Any failure by DTC to

advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to the DTC Participants, Indirect Participants, or the persons for whom DTC Participants act as nominees, with respect to the payments on the Bonds or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Termination of Book-Entry-Only System

The District is initially utilizing the book-entry-only system of DTC ("Book-Entry-Only System"). See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by a registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds falls on a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date that payment was due.

Registration. . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion, or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds . . . If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost, or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss, or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution, and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost, or stolen Bonds.

Authority for Issuance

At an election held within the District on May 7, 2005, voters within the District authorized a total of \$29,900,000 in aggregate principal amount of unlimited tax bonds for the purpose of acquiring and constructing water, wastewater, and drainage facilities. The Bonds constitute the fifth (5th) installment of bonds issued by the District for such purposes. After the issuance of the Bonds, the District will have \$13,720,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities. Additionally, at the election held in the District on May 7, 2005, the voters within the District approved the issuance of \$4,985,000 in aggregate principal amount of unlimited tax bonds for the acquisition and construction of parks and recreational facilities, and the issuance of unlimited tax refunding bonds in an amount not to exceed one and one-half times the amount of water, wastewater, and drainage new money bonds and park and recreational new money bonds issued, all of which remains authorized but unissued.

The Bonds are issued pursuant to the terms and provisions of the Bond Order; Article XVI, Section 59 of the Texas Constitution, and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on May 7, 2005; and the approving order of the Commission.

Source of and Security for Payment

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

The Bonds are obligations solely of the District and are not obligations of the City, Travis County, Texas, the State of Texas, or any political subdivision or entity other than the District.

Payment Record

The Bonds constitute the fifth (5th) installment of bonds issued by the District. The District has never defaulted in the timely payment of principal of or interest on its obligations entitled: "\$3,030,000 Unlimited Tax Bonds, Series 2018," "\$2,250,000 Unlimited Tax Bonds, Series 2020," "\$3,250,000 Unlimited Tax Bonds, Series 2021," and "\$4,400,000 Unlimited Tax Bonds, Series 2022," the proceeds of which included up to twenty-four (24) months of capitalized interest. After the issuance of the Bonds, the District will have \$15,720,000 aggregate principal amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."

In addition to the direct debt obligations of the District, the District is party to the Master District Contract (defined herein) under which the District has agreed to pay a pro rata share of debt service on Contract Tax Bonds (defined herein) issued from time to time by the Master District for the Master District Facilities (defined herein) to provide regional water, wastewater, and drainage to all Participants (defined herein). The Master District has outstanding a total of \$28,675,000 aggregate principal amount of Contract Tax Bonds issued as the following: \$2,995,000 Unlimited Contract Tax Refunding Bonds, Series 2012; \$4,155,000 Unlimited Contract Tax Bonds, Series 2017; \$4,460,000 Unlimited Contract Tax Bonds, Series 2018; \$6,000,000 Unlimited Contract Tax Bonds, Series 2019; \$2,010,000 Unlimited Contract Tax Refunding Bonds, Series 2020; and \$12,285,000 Unlimited Contract Tax Bonds, Series 2021 (collectively, the "Outstanding Contract Tax Bonds"). Of such Outstanding Contract Tax Bonds, \$7,592,815 (26.40%) represents the District's pro rata share of debt service based on the 2023 Certified Assessed Valuation of \$1,314,515,687 of the Service Area. See "THE MASTER DISTRICT – General" and "– Contract Tax Bonds." To date, the District has not defaulted on any contract payment made to the Master District in connection with the Outstanding Contract Tax Bonds.

Flow of Funds

The Bond Order creates or confirms a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart on the books and records of the District from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owners of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of the State of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

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

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

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar, UMB Bank, N.A., having an office for payment in Austin, Texas. Any Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds.

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination, and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

Defeasance of Outstanding Bonds

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

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

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

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

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

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

Record Date

The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

Issuance of Additional Debt

District Debt: The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ and, in the case of bonds payable from taxes, the District's voters. On May 7, 2005, voters within the District authorized the issuance of unlimited tax bonds in the principal amount of \$29,900,000 for the purpose of providing water, wastewater, and drainage facilities to meet the needs of the residents and customers of the District. Following the issuance of the Bonds, \$13,720,000 in unlimited tax bonds authorized by the District voters will remain authorized but unissued for water, wastewater, and drainage facilities. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued – Table 5." Additionally, at the election held in the District on May 7, 2005, the voters within the District approved the issuance of refunding bonds in a principal amount up to one and one-half times of the principal amount of water, wastewater, and drainage facilities bonds issued, all of which remains authorized but unissued. Additionally, at an election held within the District on May 7, 2005, the voters within the District approved the issuance of \$4,985,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities and unlimited tax refunding bonds in an amount not to exceed one and one-half times the amount of bonds issued for such purposes, all of which remain authorized but unissued. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "INVESTMENT CONSIDERATIONS – Future Debt."

According to the District's engineer, the \$13,720,000 in principal amount of unlimited tax bonds authorized but unissued (after the issuance of the Bonds), will be sufficient to reimburse the Developer for the water, wastewater, and drainage facilities required for development within the District. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to issue refunding bonds, as well as revenue bonds and notes without voter approval. The principal amount of park bonds sold by the District is limited to 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount of 1% but not 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable for such purposes, subject to certain conditions. The District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

Contract Debt: Pursuant to the Master District Contract, the District has agreed to pay a pro rata share of maintenance expenses and debt service on contract tax bonds issued from time to time by Wilbarger Creek Municipal Utility District No. 2 (the "Master District") for the Master District Facilities that serve all of the Participants.

Additionally, the Master District is authorized to issue additional bonds from time to time in the future to acquire or construct the Master District Facilities to serve the Participants. Pursuant to an election held within the District on May 7, 2005, the voters within the District authorized an ad valorem tax to be levied on all taxable property within the District in an amount sufficient to pay the amounts due and owing pursuant to the Master District Contract. See "THE MASTER DISTRICT – Contract Tax Bonds."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes, or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and all other kinds and types of

districts, public agencies, and bodies politic.” Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes, or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions, and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE.”

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

Specific Tax Covenants

In the Bond Order, the District covenants with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may cease to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the “Code”), so that such covenant is ineffective or inapplicable or non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

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

Remedies in Event of Default

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

sought protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

Annexation

The District lies entirely within the extraterritorial jurisdiction of the City of Manor, Texas (the “City”). Under Texas law, a municipality may annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without the consent of the district, subject to compliance by the municipality with various requirements of Chapter 43 of the Texas Local Government Code. Under Chapter 43 of the Texas Local Government Code, (a) a municipality may annex a district with a population less than 200 residents only if: (i) the municipality obtains the consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation, and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by the majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of January 10, 2024, the District had an estimated population of 2,766, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the district.

If a municipal utility district is full purpose annexed, the municipality must assume the assets, functions, and obligations of the district, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Alteration of Boundaries

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

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order signed on January 25, 2024 (the “TCEQ Order”).

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 quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

Amendments to the Bond Order

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

BOOK-ENTRY-ONLY SYSTEM

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

The District cannot and does not give any assurance that (i) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (ii) 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 (iii) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the SEC, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

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

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

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

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

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

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

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USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the District's share of: (i) the water, wastewater, and drainage facilities serving single-family development in ShadowGlen Phase 2, Section 23A; (ii) the remaining costs for water, wastewater, and drainage facilities to serve ShadowGlen Phase 2, Sections 25 and 26; and (iii) engineering and permitting fees. The remaining Bond proceeds will be used to: (i) capitalize approximately twenty-four (24) months' interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$2,254,955 is required for construction costs, and \$995,045 is required for non-construction costs, including \$273,140 of capitalized interest (approximately twenty-four (24) months' interest).

Construction Costs

A. Developer Contribution Items

1. ShadowGlen Phase 2, Section 23 W, WW, and D	\$ 1,426,972
2. ShadowGlen Phase 2, Sections 25 and 26 W, WW, and D	336,192
3. Engineering and Permits	491,791

Total Developer Contribution Items	\$ 2,254,955
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Total Construction Costs	\$ 2,254,955
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Non-Construction Costs

A. Legal Fees (2.75%)	\$ 89,375
B. Fiscal Agent Fees (2.00%)	65,000
C. Interest Costs	
1. Capitalized Interest (24 months @ 4.202151%)	273,140
2. Developer Interest ^(a)	308,750
D. Bond Discount (3.00%)	97,500
E. Bond Issuance Expenses	64,795
F. Bond Application Report	50,000
G. Attorney General Fee (0.10%)	3,250
H. TCEQ Bond Issuance Fee (0.25%)	8,125
I. Contingency ^(b)	35,110

Total Non-Construction Costs	\$ 995,045
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TOTAL BOND ISSUE REQUIREMENT	\$ 3,250,000
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(a) Preliminary; subject to change. The amount of developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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

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INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the City of Manor, Texas; Travis County, Texas; the State of Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. See “THE BONDS - Source of and Security for Payment.”

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District’s obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “INVESTMENT CONSIDERATIONS- Registered Owners’ Remedies.”

Factors Affecting Taxable Values and Tax Payments

Economic Factors, Interest Rates, Credit Availability, and Residential Foreclosures: A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots and residential dwellings can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability, and the economic prosperity and demographic characteristics of the urban centers toward which the marketing of lots is directed. Decreased levels of construction activity would tend to restrict the growth of property values in the District or could adversely impact existing values.

Interest rates and the availability of credit, including mortgage and development funding, have a direct impact on construction activity, particularly short-term interest rates at which developers and homebuilders are able to obtain financing for development and construction costs. Interest rate levels and the general availability of credit may affect the ability of a landowner with undeveloped property to undertake and complete development activities within the District and the ability of potential homeowners to purchase homes. Because of the changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued development and construction within the District. In addition, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies.

Competition: The demand for single-family homes in the District could be affected by competition from other residential developments, including other residential developments located in other utility districts located near the District. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods closer to downtown Austin that are for sale. Such homes could represent additional competition for homes proposed to be sold within the District.

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

Developer under No Obligation to the District: There is no commitment from, or obligation of, any developer 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, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and the other 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 financial conditions may have on their ability to pay taxes. The District can make no predictions as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental, or otherwise, may have on the plans of the Developer. Neither the Developer nor any subsidiaries, if any, are obligated to pay principal of and interest on the Bonds. Furthermore, the Developer has no binding commitment to the District to carry out any plans of development in the District, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment. See “THE DEVELOPER” and “TAX DATA - Principal Taxpayers – Table 12.”

Impact on District Tax Rates: Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Certified Assessed Valuation of the District is \$354,247,885. After issuance of the Bonds, the Maximum Requirement will be \$1,024,400 (2048) and the Average Requirement will be \$992,229 (2024 through 2048, inclusive). Assuming (1) no increase or decrease from the 2023 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.31 and \$0.30 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District’s Estimated Assessed Valuation as of January 10, 2024 is \$402,388,708. Based upon the assumptions above and the Estimated Assessed Valuation as of January 10, 2024, tax rates of \$0.27 and \$0.26 per \$100 assessed valuation at a

ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See “DEBT SERVICE REQUIREMENTS – TABLE 3” and “TAX DATA - Tax Adequacy for Debt Service.”

Dependence Upon the Developer, Lot Owners, and Homebuilders: The growth of the tax base is dependent upon additional development of lots in the District and the construction of homes thereon. The Developer is under no obligation to continue to market, improve, or develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer or any related party. 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 subsequent landowner to whom such party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer’s right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. See “THE DEVELOPER.”

The principal taxpayers in the District (based on the 2023 tax rolls provided by TCAD) represent \$60,331,777 or approximately 17.03 % of the District’s 2023 Certified Taxable Assessed Valuation of \$354,247,885. If any of the principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX DATA – Principal Taxpayers- Table 12,” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Undeveloped Acreage . . . Approximately 22.9530 acres of developable land within the District has not been provided with water, wastewater, and storm drainage and detention facilities as of January 10, 2024. In the opinion of the District’s Engineer (defined herein), the remaining authorized but unissued bonds are sufficient to fund water, wastewater, and drainage services to all areas now within the District. See “THE BONDS – Alteration of Boundaries” and “THE DISTRICT – Historical and Current Status of Development.”

Development and Home Construction in the District . . . As of January 10, 2024, approximately 26 developed lots within the District remained available for construction. Failure of the Developer and/or builders 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 any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. See “Impact on District Tax Rates” above.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. Additionally, the District’s tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such remedy would have to be exercised upon each separate default and may prove costly, time consuming, and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors’ rights generally.

Overlapping Master District Debt and Contract Tax

Each Participant has entered into the Master District Contract for the financing and operation of regional water and wastewater facilities that service the Service Area. Under the Master District Contract, the Master District is responsible for obtaining the Master District Facilities that are necessary to serve the Service Area.

The Master District Contract provides that the Master District is authorized to issue Contract Tax Bonds (defined herein) in an amount necessary to finance the Master District Facilities that serve development within the entire Service Area. Each Participant is obligated to pay its pro rata share, based on the assessed valuation of the Participant to the combined assessed valuation of all Participants, of debt service on the Contract Tax Bonds and is required to levy a contract tax (a “Contract Tax”), without limitation as to rate or amount, on all taxable property within its boundaries, that produces sufficient tax revenue to make timely payments for its share of debt service on the Contract Tax Bonds as well as all other charges due under the Master District Contract.

Registered Owners’ Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a 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 in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Marketability

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

No Certainty of a Secondary Market

Subject to prevailing market conditions, the Initial Purchaser intends, but is not obligated, to make a market in the Bonds. There is presently no secondary market for the Bonds and no assurance that a secondary market for the Bonds will develop or, if developed, will not be disrupted. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of State law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay, or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under Federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving 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 applicable, 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 a registered owner 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 owner's claim against a district. A district may not be forced into bankruptcy involuntarily.

The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District

The "Financial Institutions Reform, Recovery, and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, 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 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 FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

Continuing Compliance with Certain Covenants

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

Future Debt

District Debt: The District has reserved in the Bond Order the right to issue the remaining \$13,720,000 authorized but unissued unlimited tax bonds for water, wastewater, and drainage facilities, \$4,985,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities, \$44,850,000 in refunding bonds for water, wastewater, and drainage facilities, \$7,477,500 in refunding bonds for parks and recreational facilities, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.”

Contract Debt: Pursuant to the Master District Contract, the District has agreed to pay a pro rata share of maintenance expenses and debt service on bonds issued from time to time by the Master District for Master District Facilities. See “THE MASTER DISTRICT - Contract Tax Bonds.” Such contract tax is legally unlimited as to rate or amount. The issuance of future contract tax bonds could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

According to the District’s Engineer, as of January 10, 2024, the Developer has advanced funds in the approximate amount of \$18,465,000 to construct water, wastewater, and drainage facilities to serve the property within the District. Following the issuance of the Bonds, the District will still owe the Developer approximately \$4,500,000 for additional water, wastewater, and drainage facilities which have been constructed to date.

Governmental Approval

As required by law, engineering plans, specifications, and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on January 25, 2024. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

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

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 and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

Drought Conditions

Central Texas, like other areas of the State, is susceptible to drought conditions. The District adopted a water conservation and drought contingency plan and currently has implemented mandatory stage two (2) water restrictions for residents of the District. Metro Water Systems, Inc. (fka Metro H2O, Ltd.), as the wholesale water supplier to the Master District, provides water to the District in amounts sufficient to service the residents of the District; however, if drought conditions resume, water usage, rates, and revenues could be impacted.

Storm Water

In 2018, the National Weather Service 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.”

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornados, tropical storms, or other severe weather events that could produce high winds, heavy rains, hail, and flooding. In the event that a natural disaster should damage or destroy improvements and personal property in the District, the assessed valuation of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rate.

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

Environmental Regulation

Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution; and
5. Imposing substantial liabilities for pollution resulting from facility operations.

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Sanctions against a water 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 as to future compliance of and the ability to operate the District’s water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area’s ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. The Federal Clean Air Act (“CAA”) requires the United States Environmental Protection Agency (the “EPA”) to adopt and periodically revise national ambient air quality standards (“NAAQS”) for each air pollutant that may reasonably be anticipated to endanger public health or welfare. Areas that exceed the NAAQS for a given pollutant can be designated as nonattainment by the EPA. A nonattainment designation then triggers a process by which the affected state must develop and implement a plan to improve air quality and “attain” compliance with the appropriate standard. This so called State Implementation Plan (“SIP”) entails enforceable control measures and time frames.

In 1997, the EPA adopted the “8-hour” ozone standard of 80 parts per billion (“ppb”) (the “1997 Ozone Standard”) to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the “2008 Ozone Standard”). The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the “Austin Area”) was not designated “nonattainment” under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the “2015 Ozone Standard”). On May 1, 2018, the EPA designated the Austin Area as “attainment” under the 2015 Ozone Standards, which became effective on August 3, 2018. Should the Austin Area fail to achieve attainment under EPA NAAQS, or should the Austin Area fail to satisfy a then effective SIP (for nonattainment or otherwise), or for any other reason should a lapse in conformity with the CAA occur, the Austin Area may be subjected to sanctions pursuant to the CAA. Under such circumstances, the TCEQ would be required under the CAA to submit to the EPA a new SIP under the CAA for the Austin Area. Due to the complexity of the nonattainment/conformity analysis, the status of the EPA’s implementation of any future EPA NAAQS and the incomplete information surrounding any SIP requirements for areas designated nonattainment under any future EPA NAAQS, the exact nature of sanctions or any potential SIP that may be applicable to the Austin Area in the future is uncertain. The CAA provides for mandatory sanctions, including the suspension of federal highway funding, should the State fail to submit a proper SIP, or associated submissions, or fail to revise or implement a SIP, or fail to comply with an existing SIP. Subject to certain exceptions, if the Austin Area falls out of conformity and the mandatory highway funding suspension sanction is implemented, the United States Secretary of Transportation may be prohibited from approving or awarding transportation projects or grants within the area.

It is possible that nonattainment, a lapse in conformity under the CAA, litigation involving injunctive or other relief, or other environmental issues may impact new industrial, commercial, and residential development in the Austin Area.

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

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), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the federal Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary effluent limitations and more stringent 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.

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 also 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.

On May 25, 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 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.

While the *Sackett* decision 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.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the CWA and regulations implementing the CWA. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate storm sewer systems (“MS-4”). The District does not currently meet the criteria that require compliance with the MS-4 permit but may in the future be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the CWA or the Texas Water Code.

Future Proposed Tax Legislation

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

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 applicable Municipal Bond Insurance Policy (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 the bond insurer (the “Bond Insurer”) which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absent such prepayment by the Bond Insurer unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

In the event the Bond Insurer 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 applicable bond documents. In the event the Bond Insurer 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 the Bond Insurer and its claims-paying ability. The Bond Insurer'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 the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer 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 "MUNICIPAL BOND RATINGS" and "BOND INSURANCE" herein.

The obligations of the Bond Insurer are contractual obligations and, in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

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

THE MASTER DISTRICT

General

The District is one of four political subdivisions, also including Cottonwood Creek Municipal Utility District No. 1 ("Cottonwood Creek MUD No. 1"), Travis County Municipal Utility District No. 2 ("Travis County MUD No. 2"), and Wilbarger Creek Municipal Utility District No. 2 ("Wilbarger Creek MUD No. 2") (collectively, the "Participants" and individually a "Participant"), created as conservation and reclamation districts for the purpose of providing water, wastewater, and storm drainage facilities to the acreage within their respective boundaries. Pursuant to an election held within the boundaries of each Participant on May 7, 2005, each Participant approved the Master District Contract (defined below) which designates Wilbarger Creek MUD No. 2 as the "Master District" to serve as the regional provider of water, wastewater, and storm drainage, including water quality, facilities to serve development within the Participants (the "Master District Facilities"). The Participants currently comprise approximately 1,514 acres (the "Service Area") which comprise two master planned communities (ShadowGlen and Presidential Meadows) designed to ultimately contain single-family, multi-family, commercial, retail, and office development as well as recreational amenities. All of the Participants have designated Wilbarger Creek MUD No. 2 (the "Master District") to serve as the master district and regional provider of all major water, wastewater, and drainage facilities to serve the Service Area pursuant to the provisions of the "Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment, and Disposal Facilities, Regional Water Supply and Delivery Facilities, and Regional Drainage, Including Water Quality, Facilities" (the "Master District Contract"), between the Master District and the Participants. Each Participant has agreed to levy a Contract Tax, unlimited as to rate or amount, as necessary to pay costs under the Master District Contract, including its pro rata share of debt service on bonds issued by the Master District for the regional water, wastewater, and drainage facilities. Each Participant is responsible for constructing and financing its own internal water, wastewater, and drainage facilities (the "Contract Tax Bonds"). The Master District Contract also authorizes the Master District to issue Contract Tax Bonds to acquire, purchase, construct, and maintain the Master District Facilities to serve the Participants. The Master District owns and operates the Master District Facilities. See "THE SYSTEM."

Master District Service Area

The following chart more completely describes the Participants, including each Participant's acreage and projected ultimate living unit equivalents ("LUEs") based on current land use plans.

PARTICIPANTS	Gross Acreage ^(a)	Existing LUEs ^(b)	Projected Ultimate LUEs ^(c)
Cottonwood Creek MUD No. 1	417.70	1,623	2,216
Travis County MUD No. 2	404.11	1,098	1,247
The District	300.42	1,083	1,555
Wilbarger Creek MUD No. 2	392.10	-	1,449
Subtotal	1,514.33	3,804	6,467
Park and Irrigation	-	-	100
Total	1,514.33	3,804	6,567

(a) Gross acreage includes all easements, rights-of-way, and any other undevelopable acreage.

(b) As of December 25, 2023.

(c) Provided by the Engineer and represents the existing land use plan. The District makes no representation that property within the District or within the Participants will develop as shown above.

Metro Water Systems, Inc., a Texas corporation formerly known as Metro H2O, Ltd. (“Metro”), has entered into an “Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas” (as amended, the “Water Supply Contract”) with the four Participants to provide up to 6,010 LUEs of potable water supply capacity to the Participants. Additionally, the Participants and Metro originally entered into an “Amended and Restated Regional Sewage Disposal Capacity and Services Agreement for a Portion of Northeastern Travis County, Texas” (the “Wastewater Treatment Contract”) whereby Metro agreed to construct certain wastewater treatment facilities sufficient to serve up to 6,010 LUEs of wastewater to the Participants. In connection with its acquisition of the Wastewater Treatment Plant from Metro, the Master District acquired Metro’s interest in the Wastewater Treatment Contract. See “THE SYSTEM – Wastewater Collection and Treatment.” Because the Wastewater Treatment Plant is now owned and operated by the Master District, the Participants elected to terminate the Wastewater Treatment Contract effective January 8, 2022 after the first 20-year term thereof. The Wastewater Treatment Plant is operated by the Master District as a Master District Facility under the Master District Contract. The currently estimated 6,567 LUEs projected to be developed within the Participants are in excess of the 6,010 LUEs currently included in the Participants’ reserved LUE capacity under the Water Supply Contract and the Wastewater Treatment Contract. The Participants have commenced negotiations with Metro with respect to amending the Water Supply Contract to increase the existing water LUE capacity. The Master District recently constructed an expansion of the Wastewater Treatment Plant. According to Quiddity Engineering LLC (“Quiddity Engineering”), the Master District’s special consulting engineer on water and wastewater matters, construction of the expansion is essentially complete and in operation. The final site clean-up and warranty and close-out documents should be complete in a few months. The Wastewater Treatment Plant will need to be expanded as development within the Service Area continues. See “Contract Tax Bonds” below. See “THE SYSTEM – Water Supply and Distribution” and “THE SYSTEM – Wastewater Collection and Treatment.” Cottonwood Creek Water Control and Improvement District No. 3 is also a party to the Water Supply Contract and Wastewater Treatment Contract but has not been allocated any capacity.

Contract Tax Bonds

The Master District Contract provides that each Participant shall pay a pro rata share of debt service on any Contract Tax Bonds issued from time to time to acquire, construct, purchase, and maintain Master District Facilities, based upon the Participant’s certified assessed valuation as a percentage of the total assessed valuation in all the Participants. The debt service requirements are calculated to include the charge and expenses of paying agents, registrars, and trustees utilized in connection with the bonds; the principal, interest, and redemption requirements of the bonds; and all amounts required to establish and maintain funds required under the bond resolution or trust indenture relating to such bonds. Each Participant is obligated to pay its pro rata share of the annual debt service on such bonds from the proceeds of an annual ad valorem contract tax which is unlimited as to rate or amount, revenues derived from the operation of each Participant’s internal water, wastewater, and drainage systems, or from any other legally available funds of each Participant. Each Participant’s pro rata share of debt service requirements is calculated annually by the Master District; however, the levy of a Contract Tax for the purpose of paying debt service on the Contract Tax Bonds is the sole responsibility of each Participant.

The Master District has issued \$4,250,000 Unlimited Contract Tax Bonds, Series 2006; \$5,660,000 Unlimited Contract Tax Bonds, Series 2008; \$5,100,000 Unlimited Contract Tax Refunding Bonds, Series 2010; \$4,910,000 Unlimited Contract Tax Refunding Bonds, Series 2012; \$4,835,000 Unlimited Contract Tax Refunding Bonds, Series 2016; \$4,160,000 Unlimited Contract Tax Bonds, Series 2017; \$4,460,000 Unlimited Contract Tax Bonds, Series 2018, \$6,000,000 Unlimited Contract Tax Bonds, Series 2019; \$2,010,000 Unlimited Contract Tax Refunding Bonds, Series 2020; and \$12,285,000 Unlimited Contract Tax Bonds, Series 2021 (collectively, the “Outstanding Contract Tax Bonds”), of which a total of \$28,675,000 aggregate principal amount of such Outstanding Contract Tax Bonds will remain outstanding through the Date of Initial Delivery. The District’s pro rata share of such debt is approximately \$7,592,815 (or 26.40%) based upon the District’s percentage of the cumulative assessed value of the Service Area (2023 Certified Assessed Valuation of \$1,341,310,353) multiplied by the outstanding principal amount.

The Master District intends to finance future expansions of and upgrades to the Wastewater Treatment Plant through the issuance of Contract Tax Bonds, as well as any other Master District Facilities which may be required in the future through the issuance of Contract Tax Bonds. See “THE SYSTEM.”

Operation and Maintenance Expenses

Pursuant to the Master District Contract, each Participant is further obligated to pay monthly charges to the Master District for water, wastewater, and drainage, including water quality, services rendered pursuant to the Master District Contract (“Monthly Charges”). The Monthly Charges paid by each Participant to the Master District are used to pay each Participant’s share of operation and maintenance expenses for Master District facilities and to provide for an operation and maintenance reserve equal to five months of operation and maintenance expenses for such facilities. Each Participant’s share of operation and maintenance expenses and reserve requirements is calculated by the Master District based upon the following categories of costs: (i) direct costs, including LUE fee payments and other costs directly incurred by the Participant; (ii) volume-related costs, including actual usage fees related to water supply and wastewater collection and treatment; and (iii) all other costs, including administrative costs. The Master District bills the Participants monthly for such costs. Each Participant, in turn, charges retail water and wastewater rates to its customers based upon actual usage, the revenues from which are used to pay the Monthly Charges. The current Monthly Charges being charged to the District by the Master District average approximately \$52,048/month, according to the District’s bookkeeper Bott & Douthitt, P.L.L.C.

Pursuant to the Master District Contract, each Participant is obligated to establish and maintain rates, fees, and charges for services provided by each Participant’s water distribution system, wastewater collection system, and drainage system, together with taxes levied and funds received from any other lawful sources, sufficient at all times to pay each Participant’s operation and maintenance expenses, and each Participant’s obligations pursuant to the Master District Contract, including each Participant’s pro rata share of the Master District’s debt service requirements, Monthly Charges, and any expenses related to the billing and collecting of the Monthly Charges by the Master District.

Recent Commission Action

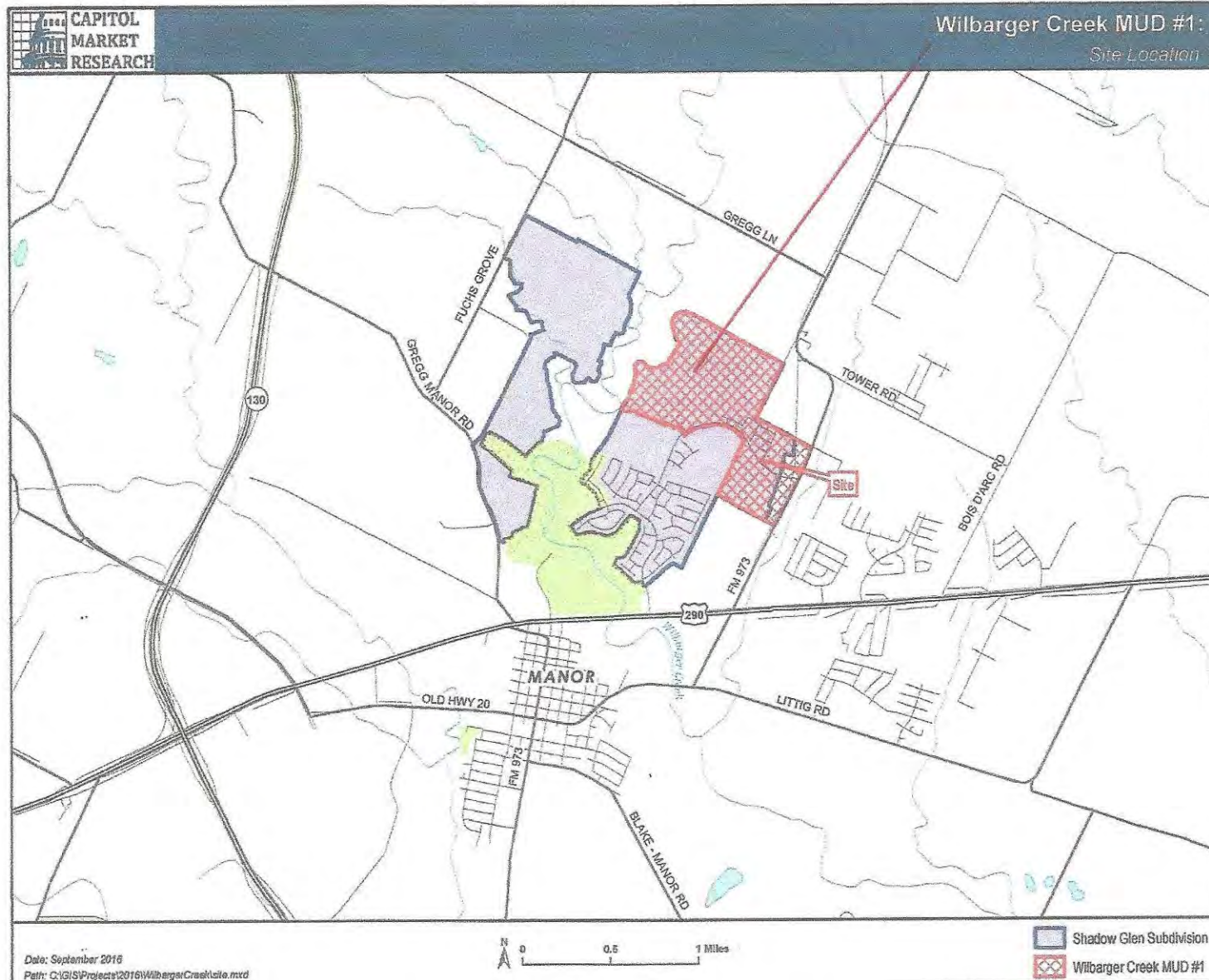
As further described herein under “THE SYSTEM – Wastewater Collection and Treatment,” the Master District historically operated a membrane bioreactor wastewater treatment plant and experienced continuing operational issues with the membrane technology, which issues have, from time to time, negatively affected the performance of the wastewater treatment plant and resulted in excursions from the parameters of the Master District’s wastewater discharge permit. In accordance with applicable law, Crossroads Utility Services LLC, the Master District’s utility operator, has over the last several years self-reported instances where the treated effluent from the wastewater plant exceeded Commission regulations, particularly as it relates to excessive chlorine residuals and ammonia nitrogen parameters in effluent. According to the Master District’s utility operator, all such violations were corrected after being self-reported in accordance with State law.

On October 21, 2020, the Commission issued a notice of initiation of formal enforcement action to the Master District (the “2020 Enforcement Notice”), which was received by the Master District on October 27, 2020, based on a record review investigation of self-reported data related to the Master District’s wastewater discharge permit, including alleged violations for failure to comply with chlorine residual and ammonia nitrogen limitations and other permit effluent limitations such as *eschcherichia coli*. The EPA instituted a similar enforcement action. Both enforcement actions resulted in agreed orders that set forth certain corrective actions to be taken by the Master District, including the submission of written certification of compliance with the permitted effluent limitations for three consecutive months following the date of the agreed order. The agreed order between the Commission and the Master District, which was approved by the Master District and executed by the Commission effective December 14, 2021, assessed an administrative penalty of \$4,312, of which \$812 was deferred upon compliance with the agreed order. Such administrative penalty has since been paid by the Master District and the Master District’s utility operator has submitted written certification of compliance with the permitted effluent limitations for the three consecutive months following the date of the agreed order along with all other documentation requirements of the agreed order. The EPA agreed order did not impose a monetary penalty.

On March 25, 2022, the Commission issued a notice of intention of formal enforcement action to the Master District, which was received by the Master District on April 5, 2022, based on alleged violations occurring at the Master District’s wastewater treatment plant (the “2022 Enforcement Notice”). Such alleged violations included the failure to (i) ensure that the wastewater treatment plant and all of its systems of collection, treatment, and disposal are properly operated and maintained and (ii) prevent the unauthorized discharge of wastewater. The 2022 Enforcement Notice also cited alleged violations for failure to comply with chlorine residual and ammonia nitrogen limitations and other permit effluent limitations addressed in the 2020 Enforcement Notice. The Texas Legislature has granted the Commission broad enforcement powers to carry out its mission to protect human health and the environment and the Commission also has a broad array of remedies available in enforcement actions including, but not limited to, issuance of administrative orders with or without penalties; referrals for civil or criminal judicial proceedings; permit, license, registration, or certificate revocation or suspension; or resolution informally without a contested case proceeding pursuant to an agreed order. Penalties may be assessed in amounts up to \$25,000 per violation per day. The Master District’s utility operator has been in contact with the Commission and currently anticipates resolving the outstanding alleged violations with an agreed order which will set forth certain corrective actions to be taken by the Master District, in addition to a penalty assessed by the Commission, which the Master District’s utility operator currently anticipates being minimal. As of the date hereof, an agreed order from the Commission related to the 2022 Enforcement Notice has not been received by the Master District.

As a result of the persistent challenges with membrane treatment technology, the Master District designed and substantially completed a new 1,000,000 gpd conventional wastewater treatment plant. See “Master District Service Area” above and “THE SYSTEM – Wastewater Collection and Treatment” below.

LOCATION MAP



THE DISTRICT

General

The District, a political subdivision of the State of Texas, was created by an order of the Texas Natural Resource Conservation Commission, predecessor of the TCEQ, dated May 30, 2002, and confirmed pursuant to an election held within the District on May 3, 2003. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District contains approximately 300.42 acres.

The District is empowered among other things to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. If approved by the voters within the District and the TCEQ, the District may establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. Fire protection and emergency services are currently provided to the residents of the District by Travis County Emergency Services District No. 12. The District is additionally authorized pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Texas Water Code, as amended, to issue bonds, subject to voter approval and the approval of TCEQ, payable from ad valorem taxes to pay for the development and maintenance of park and recreational facilities.

At the time of creation, the District contained approximately 329.27 acres of land. Since the creation of the District, there has been one exclusion of 28.84 acres of land, and the District currently consists of approximately 300.42 acres of land.

Management

Board of Directors

The District is governed by a board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years, with elections held within the District in November in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Bill Kochwelp	President	2026	18 ½ Years
Tim Dalton	Vice President	2026	19 ½ Years
Scott Sams	Secretary	2026	19 Years
Brandon Somers	Assistant Secretary	2024	3 ½ Years
Diana Zuniga	Assistant Secretary	2024	21 ½ Years

Consultants

Tax Assessor/Collector... Land and improvements in the District are being appraised by the Travis Central Appraisal District ("TCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Travis County Tax Assessor/Collector, Mr. Bruce Elfant, currently serves the District in this capacity under contract.

Operator... The District contracts with Crossroads Utility Services LLC ("Crossroads") to serve as Operator for the District. Crossroads serves in a similar capacity for approximately 60 other special districts in the Austin metropolitan area.

Bookkeeper... Bott & Douthitt, P.L.L.C ("B&D"), certified public accountants, is charged with the responsibility of providing bookkeeping services for the District. B&D serves in a similar capacity for approximately 150 other special districts.

Auditor... McCall Gibson Swedlund & Barfoot PLLC ("MGSB"), has audited the District's financial statements for the fiscal year ended September 30, 2023. MGSB serves in a similar capacity for approximately 600 other special districts.

Engineer... The District's consulting engineer is Schroeder Engineering Company (the "Engineer"). Such firm serves as consulting engineer to 11 other special districts.

Financial Advisor... Public Finance Group LLC serves as the District's financial advisor (the "Financial Advisor"). The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold, and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Bond Counsel and Disclosure Counsel... The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas as Bond Counsel and Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel... The District has engaged Armbrust & Brown, PLLC (“A&B”) as general counsel. Fees paid to A&B for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

The District is located north of and within the extraterritorial jurisdiction of the City of Manor, Texas in Travis County, approximately 10 miles northeast of downtown of the City of Austin and on the north side of U.S. Highway 290.

Current Status of Development

As of January 10, 2024, approximately 218.040 acres (or 76.93% of the approximately 283.42 developable acres within the District) have been developed with utility facilities as the single-family residential subdivision ShadowGlen, Phase 2, Sections 15A, 15B, 19A, 19B, 20, 22, 23, 24A, 24B, 25, 26, 27A, 27B, 28A, and 28B, which encompass a total of 960 single-family lots, and include 922 completed homes, 12 homes under construction, and 26 vacant developed single-family lots. An apartment complex, The Flats at ShadowGlen, containing 248 apartment units on approximately 12.18 acres is also located within the District. Additional development within the District includes utility facilities serving approximately 10.002 acres of commercial development, an elementary school on approximately 11.60 acres, and approximately 4.30 acres of road improvements of Misty Grove Boulevard and Silent Falls Ways. Commercial improvements include a Chevron gas station, and an office building complex called the Studios at ShadowGlen. The remaining land within the District is comprised of approximately 22.930 undeveloped but developable acres and approximately 27.3370 undevelopable acres, which includes open space and drainage easements.

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The following chart reflects the status of development as of January 10, 2024.

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
ShadowGlen Phase 2, Section 15A	12.2300	54	54	-	-
ShadowGlen Phase 2, Section 15B	15.2600	83	83	-	-
ShadowGlen Phase 2, Section 19A	14.7500	75	75	-	-
ShadowGlen Phase 2, Section 19B	9.1500	49	49	-	-
ShadowGlen Phase 2, Section 20	10.8000	72	72	-	-
ShadowGlen Phase 2, Section 22	13.7200	69	69	-	-
ShadowGlen Phase 2, Section 23	21.7600	83	56	6	21
ShadowGlen Phase 2, Section 24A	15.7700	66	63	-	3
ShadowGlen Phase 2, Section 24B	11.2700	59	59	-	-
ShadowGlen Phase 2, Sections 25 & 26	31.8400	161	157	4	-
ShadowGlen Phase 2, Sections 27A/B	20.1500	84	80	2	2
ShadowGlen Phase 2, Section 28A/B	41.3400	105	105	-	-
Total Single Family Developed with Utilities	218.0400	960	922	12	26
B. Multi-Family Utility Facilities					
The Flats at ShadowGlen Apartment Complex	12.1800				
Total Multi-Family Utility Facilities	12.1800				
C. Other Development					
Elementary School	11.6100				
Shadow Glen Trace Commercial A	4.0020				
Shadow Glen Trace Commercial B	6.0000				
BBEC Electric Substation	3.2200				
Misty Grove Boulevard and Silent Falls Ways	4.3000				
Total Other Developed with Utilities	19.9120				
D. Total Developed with Utility Facilities	250.1320				
E. Undevelopable Acreage					
FM 973 ROW	9.1070				
Open Space and Drainage Easements	18.2300				
Total Undevelopable Acreage	27.3370				
F. Remaining Developable Acreage ^(a)					
Future Commercial or Multifamily Tracts	12.2290				
Future Parkland Space	10.7240				
Total Remaining Developable Acreage ^(a)	22.9530				
Total District Acreage	300.4220				

(a) The Developer and a principal landowner have not yet submitted any plans or designs for the remaining developable acreage within the District. The District cannot make any representations as to any future development on the remaining 22.9530-acres of undeveloped but developable acreage.

Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect the ability to sell lots and/or property and of any homebuilder to sell completed homes as described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage systems required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. See “THE BONDS – Issuance of Additional Debt.” The District’s Engineer estimates that the \$13,720,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized but unissued is sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but developable land. The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

Development Agreement with the City of Manor

The District lies within the extraterritorial jurisdiction of the City. The City consented to the creation of the District by Ordinance dated January 16, 2002.

Additionally, effective January 10, 2001, Travis County MUD No. 2, Cottonwood Holdings, Ltd. (a prior landowner within the Service Area), and Manor entered into a “Development Agreement for the Cottonwood Subdivision” (the “Original Development Agreement”), which set forth various terms regarding development within Travis County MUD No. 2 and Cottonwood Creek MUD No. 1. The District and Wilbarger Creek MUD No. 2 subsequently joined in the execution of the Original Development Agreement. Pursuant to the Original Development Agreement, Manor consented to certain annexations into and exclusions from the District and further authorized the District to provide services authorized by State law. The Original Development Agreement also authorized the District to issue bonds and notes, including bond anticipation notes or refunding bonds, for the purpose of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending a waterworks, sanitary sewer, and drainage and storm sewer system, including, but not limited to, all additions to such systems and all works, improvements, facilities, plants, equipment, appliances, interests in property, and contract rights needed therefor and administrative facilities required in connection therewith. Manor also consented to the District’s joinder in the Water Supply Contract and the Wastewater Treatment Contract, each as amended from time to time. Under the terms of the Original Development Agreement, Manor further agreed to provide solid waste disposal and collection services to all residences and businesses within the District for the same fees and upon the same terms and conditions as Manor provides such services to in-city customers. Under this arrangement, the District is required to bill all single-family residences for solid waste disposal and collection services and pay such revenues over to Manor, while businesses and multifamily residences within the District are billed directly by Manor or its contract provider. The Original Development Agreement also authorized Manor to regulate and manage the use and occupancy by third parties of the streets and roadways within the District; however, Manor assumed no obligation to establish or enforce traffic regulations within the District or to design, construct, improve, or repair any streets or roadways within the District. The Original Development Agreement also provided that Manor will not dissolve or abolish the District for a period of 20 years from the date of the Original Development Agreement; however, the Original Development Agreement did provide that, if the District challenged or otherwise failed to honor Manor’s rights with respect to solid waste disposal and collection services and the regulation of streets and roadways within the District and failed to cure such failure within 180 days after written notice from Manor, Manor may annex the District and dissolve and abolish it in compliance with state law, which would require Manor to assume the assets and liabilities of the District, including the Bonds. The Original Development Agreement also sets forth Manor’s consent to the creation of both the District and Wilbarger Creek MUD No. 2.

The term of the Original Development Agreement between Manor and the developer parties thereunder was for a period of ten years and expired on January 10, 2011. The Original Development Agreement did not expire between Manor, Travis County MUD No. 2, the District, and Wilbarger Creek MUD No. 2. At the request of Cottonwood Holdings, Ltd., a Texas limited partnership (“CHL”), and 2010 ShadowGlen, previous landowner prior to SG Land Holdings, successor to the portion of the property subject to the Original Development Agreement previously owned by ShadowGlen Residential Community, Ltd., a Texas limited partnership (“SRCL”), the parties entered into a “Development Agreement for the ShadowGlen Subdivision” (the “Restated Development Agreement”) dated effective August 24, 2012, which (i) amended and restated the Original Development Agreement in its entirety as between Manor, Travis County MUD No. 2, the District, and Wilbarger Creek MUD No. 2 on terms and conditions similar to those contained in the Original Development Agreement, as amended; and (ii) terminated and replaced the Original Development Agreement as between the Manor, CHL, and 2010 ShadowGlen. In December 2012, SG Land Holdings acquired all of the property in the ShadowGlen development owned by 2010 ShadowGlen. In connection with that transaction and with Manor’s consent, 2010 ShadowGlen assigned its interest in the Restated Development Agreement to SG Land Holdings pursuant to an “Assignment and Assumption of Development Agreement” dated effective December 21, 2012. In August 2020, Meritage Homes of Texas, LLC (“Meritage Homes”) acquired from SG Land Holdings the land comprising Phase 3 of the ShadowGlen project; and in connection with that transaction and with Manor’s consent, SG Land Holdings assigned its interest in the Restated Development Agreement with respect to the Phase 3 property to Meritage Homes pursuant to a “Partial Assignment of and Assumption of Development Agreement” dated effective August 14, 2020. The Restated Development Agreement has been amended, primarily to address certain development-related obligations, by an Addendum to Development Agreement for the ShadowGlen Subdivision dated May 21, 2014; an Addendum to Development Agreement for the ShadowGlen Subdivision (Phase 3 Property) dated March 7, 2018; a First Amendment to Development Agreement for the ShadowGlen Subdivision dated March 4, 2020; a Second Amendment to Development Agreement for the ShadowGlen Subdivision dated July 2, 2020; and Third Amendment to Development Agreement for the ShadowGlen Subdivision dated July 7, 2021.

THE DEVELOPER

Role of Developer

In general, the activities of a landowner or developer within a utility district, such as the District, include purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers, or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction while the utility district finances the costs of the water supply and distribution, wastewater collection, and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is generally under no obligation to a district to undertake development activities with respect to other property it owns within a district. Furthermore, there is no restriction on a developer’s right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within

the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

Description of the Developer

The developer currently active within the District is SG Land Holdings LLC (the “Developer” or “SG Land Holdings”), which is owned by Southwest Shadow Holdings LLC, a Delaware limited liability company (“Southwest Shadow Holdings”), and Southwest Equity Partners LLC, a Delaware limited liability company. The Developer has engaged Argent Management LLC, a Delaware limited liability company (“Argent Management”), as its development manager to manage the development of the District. The District is also selling tracts of land to builders that are self-developing lots, but the Developer is retaining reimbursement rights to those tracts of land. Southwest Shadow Holdings is a subsidiary of JNI, LLC (“JNI”), a Delaware limited liability company. JNI is a parent company of various other subsidiaries and affiliates which develop master-planned communities around the United States, often under the brand name SunCal, with development management performed by affiliate Argent Management.

Neither the Developer, nor any member, parent, or affiliate thereof, is responsible or liable for or has made any commitment for payment of the Bonds or other obligations of the District. None of the aforesaid entities has any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its respective property within the District, or any other assets, at any time. Further, the financial conditions of the aforesaid entities are subject to change at any time.

Development Financing

SG Land Holdings has an outstanding development loan with Southwest Debt Partners LLC, an entity affiliated with Southwest Equity Partners LLC (the “Development Loan”). As of January 10, 2024, the principal outstanding amount on the Development Loan was approximately \$38,489,000. SG Land Holdings has stated that it is in compliance with the terms of the Development Loan.

Homebuilders within the District

According to the Developer, there are currently three active homebuilders within the District: Meritage Homes, Perry Homes, and Terrata Homes. Homes within the District range in price from approximately \$209,990 to \$589,900, with square footage ranging from approximately 1,391 to 3,050 square feet.

Utility Construction Agreements

The District has entered into utility construction agreements with the Developer governing the development of water, wastewater, and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District (the “Developer Utility Construction Agreement”). The District has also entered into a utility construction agreement with CHL (the “CHL Utility Construction Agreement”) dated August 6, 2015, covering CHL’s retained commercial/multi-family acreage in the District near the intersection of ShadowGlen Trace and FM 973. CHL has since assigned its interests in that agreement, with the consent of the District, to ShadowGlen Development Corporation, CHL’s development affiliate.

Agricultural Waiver

SRCL and CHL previously executed agreements, which are recorded in the Real Property Records of Travis County and are covenants running with the land, waiving the right to have land located within the District classified as agricultural, open space, or timberland for tax purposes. In addition, SRCL, CHL, and their successors have waived the right to have their lots and houses (if any) classified as business inventory. SG Land Holdings and its successors are subject to such agreements and the agreements may not be modified without the approval of the TCEQ and are binding on purchasers of such land from each developer. See “TAXING PROCEDURES - Property Subject to Taxation by the District.”

THE SYSTEM

Regulation

The water, wastewater, and storm drainage facilities (the “System”), the purchase, acquisition, and construction of which have been permanently financed by the District with the proceeds of the bonds previously issued by the District, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the Commission. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have jurisdiction over the District.

Operation of the District’s waterworks and wastewater facilities is subject to regulation by, among others, the EPA and the Commission. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revision.

Water Supply and Distribution

Metro has entered into the Water Supply Contract with the four Participants to provide up to 6,010 LUEs of potable water supply capacity to the Participants. Cottonwood Creek Water Control and Improvement District No. 3 is also a party to the Water Supply Contract but has not been allocated any capacity. See “THE MASTER DISTRICT- Master District Service Area.” Pursuant to an “Amended and Restated Assignment and Assumption of Capacity Rights and Obligations under Regional Water and Sewer Contracts; and Capacity Reservation Agreement” dated effective October 1, 2005 (the “Capacity Assignment”), the Participants assigned all of their rights and obligations with respect to water supply capacity under the Water Supply Contract to the Master District, which, in turn, reserved water supply capacity in favor of the Participants at full build out in the amounts set forth in the Water Supply Contract and agreed to allocate water capacity on an interim basis fairly and equitably among the Participants. The Participants have also executed the Master District Contract, pursuant to which the Master District is charged with the responsibility of constructing, financing, or acquiring facilities sufficient to distribute, rechlorinate, and store the potable water delivered by Metro and to deliver such water to the Participants. The currently estimated 6,567 LUEs projected to be developed within the Service Area are in excess of the 6,010 LUEs currently included in the Participants’ reserved LUE capacity under the Water Supply Contract. The Participants have commenced negotiations with Metro with respect to amending the Water Supply Contract to increase the existing water LUE capacity. See “THE MASTER DISTRICT – Master District Service Area.”

Under the Water Supply Contract, as affected by the Capacity Assignment, the Master District was originally contractually obligated to purchase water capacity from Metro at the time of each connection and on a quarterly basis through the payment of water LUE fees. However, pursuant to a “First Amendment to Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas” dated August 9, 2011 (the “Water Supply Contract Amendment”), in consideration of the payment of \$250,000 to Metro, the obligation to make water LUE fee payments to Metro was abated until the number of LUEs actually connected to the water system serving the Master District’s Service Area exceeds 2,610, at which time water LUE fees will be required to be paid on a connection-by-connection basis. Connections to the system now exceed 2,610 LUEs, and the Participants are collecting a water LUE fee in the amount of \$1,900 per LUE. These fees are remitted to the Master District, which in turn pays Metro per the Water Supply Contract. By letter dated January 2, 2020 and subsequent correspondence, Metro notified the Advisory Committee established under the Water Supply Contract that Metro has recalculated the amount of the water LUE fee and intends to increase such fee to \$5,000 per LUE, which is the contractual maximum permitted by the Water Supply Contract Amendment. The Master District’s special legal counsel on rate matters has responded to Metro on behalf of the Advisory Committee that the proposed increase does not appear to be authorized by the Water Supply Contract. Further discussions with Metro on this matter are expected.

The Water Supply Contract, as amended, also obligates the Participants to pay Metro a volumetric wholesale water rate for the water used by the Participants (the “Wholesale Water Rate”) on a monthly basis as well as an annual rate payment (the “Annual Water Rate Payment”) by August 5th of each year. A portion of the Wholesale Water Rate and the Annual Water Rate Payment increase by three percent (3%) per year. The current Wholesale Water Rate is \$6.95 per 1,000 gallons of water delivered. The Annual Water Rate Payment for 2024 is \$190,909.35. Under the Water Supply Contract Amendment, Metro also has the authority to impose a surcharge for actual increases in the volumetric rate charged to Metro by its supplier as well as a surcharge to recover the cost of new capital assets necessary to serve the Participants. The District expects to increase its rates for retail water and wastewater service as wholesale costs increase.

Pursuant to the Water Supply Contract Amendment, Metro invoices the Master District for wholesale water service provided to the Participants using a take-or-pay minimum base quantity formula. Under this structure, the minimum base quantity of water for which the Participants will be charged for the year commencing March 1, 2024 is 346,400,403 gallons of water. The minimum base quantity for each year thereafter (March through February) will be the prior year’s minimum base quantity plus 90% of the amount of water used by the Participants during the prior year in excess of the minimum base quantity for that year.

Metro Water Supply and Transmission Facilities

The water supplied to the Participants by Metro is obtained by Metro under an “Amended and Restated Wholesale Potable Water Supply Agreement” dated April 11, 2011 (the “EPCOR Contract”) between Metro and EPCOR, 130 Project, Inc., a wholly-owned subsidiary of EPCOR Utilities, Inc. It is the District’s understanding that Metro has sufficient water capacity available under the EPCOR Contract to serve 6,010 connections within the Participants. The point of delivery for water delivered to Metro under the EPCOR Contract is the 500,000-gallon elevated storage tank owned by Metro adjacent to the Master District’s Service Area. The facilities necessary to deliver water under the EPCOR Contract have been constructed, and such water became available to Metro (and the Participants through Metro) on July 5, 2011. Under the terms of the Water Supply Contract Amendment, Metro is required to reserve capacity to and for the benefit of the Participants in the water supply available to Metro under the EPCOR Contract equal to the number of LUEs paid for by or on the behalf of the Participants. As of December 25, 2023, 3,804 LUEs have been paid for by or on behalf the Participants to Metro. According to the Master District’s operator, as of December 25, 2023, there were 3,804 connections within the Master District Service Area.

City of Manor Emergency Water Interconnect

The Master District and the City of Manor have entered into an “Interlocal Agreement Concerning Emergency Water Interconnect” dated effective June 6, 2014, which can provide a short-term water supply to customers within the Participants in emergency situations.

Master District Distribution, Rechlorination, and Storage Facilities

The Master District has constructed a 24-inch water transmission main which distributes the water delivered by Metro approximately 3.3 miles from the Metro elevated storage tank, through the District and to a terminus within Cottonwood Creek MUD No. 1. Additionally, the Master District has constructed one chlorination facility outside the boundaries of the Master District at the beginning of the Master District's 24-inch water transmission main near the 500,000-gallon elevated storage tank owned by Metro. To date, the chlorination facility has not been needed for the water supply received pursuant to the EPCOR Contract.

It was originally anticipated that the Master District would be required to construct one or more water storage facilities as development increases demand for water supply within the Master District's Service Area. The Master District recently completed construction of an 800,000-gallon elevated water storage tank which is now in service. According to the District's Engineer, the current total of the water storage capacity available to the Master District's Service Area is 1,300,000, which is sufficient to serve 6,500 LUEs pursuant to TCEQ regulations.

Wastewater Collection and Treatment

The Participants and Metro originally entered into the Wastewater Treatment Contract pursuant to which Metro agreed to construct certain wastewater treatment facilities sufficient to serve up to 6,010 LUEs of wastewater from the Participants. Cottonwood Creek Water Control and Improvement District No. 3 was also a party to the Wastewater Treatment Contract but was not allocated any capacity. Under the Wastewater Treatment Contract, Metro completed construction of wastewater facilities including a 500,000 gallons per day ("gpd") wastewater treatment plant and lift station (the "Wastewater Treatment Plant"). Based upon average daily flow of 250 gpd per LUE, the 500,000 gpd Wastewater Treatment Plant was sufficient to serve 2,631 LUEs, according to the Master District's Engineer. Pursuant to the Capacity Assignment, the Participants assigned all of their rights and obligations with respect to wastewater treatment capacity under the Wastewater Treatment Contract to the Master District, which, in turn, reserved wastewater treatment capacity in favor of the Participants at full build-out in the amounts set forth in the Wastewater Treatment Contract and agreed to allocate wastewater treatment capacity on an interim basis fairly and equitably among the Participants. The currently estimated 6,567 LUEs projected to be developed within the Service Area is in excess of the 6,010 LUEs currently included in the Participants' reserved LUE capacity under the Wastewater Treatment Contract. The Participants have commenced negotiations with Metro with respect to amending the Water Supply Contract to increase the existing water LUE capacity. See "THE MASTER DISTRICT – Master District Service Area."

When Southwest Water Company, the parent of Metro, announced its intention to sell its wholesale operations in Texas, the Master District negotiated to purchase the Wastewater Treatment Plant from Metro pursuant to an Asset Purchase Agreement dated November 20, 2008. The closing of such transaction occurred on December 31, 2008, at which time Metro transferred ownership of the Wastewater Treatment Plant and its interest in the Wastewater Treatment Contract to the Master District. Since then, Master District has operated and maintained the Wastewater Treatment Plant as a Master District Facility and has included the costs of the operations in its annual budgets. The cost of operation and maintenance of the Wastewater Treatment Plant is invoiced to each of the Participants on a monthly basis, in accordance with the Master District Contract. Because the Wastewater Treatment Plant is now owned and operated by the Master District, the Participants elected to terminate the Wastewater Treatment Contract effective January 2, 2022 after the first 20-year term thereof. Thereafter, the Wastewater Treatment Plant will continue to be operated by the Master District as a Master District Facility under the Master District Contract.

Shortly after the purchase of the Wastewater Treatment Plant, the Master District experienced increased maintenance and operation costs for the Wastewater Treatment Plant. Based on an average daily flow of 250 gpd, the 1.0 mgd Wastewater Treatment Plant will be sufficient to serve 4,000 LUEs. See "THE MASTER DISTRICT – Recent Commission Action." As a result of the persistent challenges with membrane treatment technology, the Master District financed the design and construction of a new conventional technology 1,000,000 gpd Wastewater Treatment Plant with the proceeds of certain Contract Tax Bonds, which is now in service. See "THE MASTER DISTRICT – Master District Area" and "– Contract Tax Bonds." Based on the recently approved daily flow of 200 gpd/LUE, the 1.0 mgd Wastewater Treatment Plant will be sufficient to serve 5,000 LUEs. The Master District consultants are monitoring growth projections and connections to the Master District's wastewater system in order to manage wastewater treatment capacity needs and future expansions of the Wastewater Treatment Plant.

Storm Drainage

The storm drainage system that serves the District consists of curb and gutter streets and storm sewers that collect and direct storm water runoff generally south and southwest to detention ponds that outfall into Wilbarger Creek, a tributary of 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 Engineer, no land within the District is located within the planned designated Flood Hazard Area as shown on the Federal Flood Insurance Administration Rate Map No. 48453C0485H.

In 2018, the National Weather Service completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast

in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Travis County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain 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.

Water, Wastewater, and Drainage Operations - Rate and Fee Schedule - Table 1

The Board of Directors establishes rates and fees for water and sewer service, subject to change from time to time. The following schedule sets forth the rates and fees for the District’s water and sewer service which have been in effect since December 1, 2023.

Monthly Billings:

5/8” Meter	\$ 42.00*
3/4” Meter	\$ 42.50*
Monthly Water Usage Charges	
0-15,000 gallons	\$ 7.85 per 1,000 gallons
15,001+ gallons	\$ 9.40 per 1,000 gallons
Monthly Wastewater Commodity Charge	\$ 7.50 per 1,000 gallons

* Single family residential meter includes solid waste/recycling services.

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Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "Appendix A – Audited Financial Statements."

	Fiscal Year End				
	01/31/2024 ^(a)	9/30/2023 ^(b)	9/30/2022 ^(b)	9/30/2021 ^(b)	9/30/2020 ^(b)
REVENUES					
Property taxes, including penalties	\$ 808,485	\$ 589,172	\$ 545,733	\$ 282,411	\$ 222,257
Service Revenues	600,034	1,728,842	1,175,914	1,015,061	789,375
Tap Connection/Inspection Fees	-	158,960	544,975	39,474	250,060
Interest and others	59,093	141,593	19,610	973	11,728
TOTAL REVENUES	\$ 1,467,613	\$ 2,618,567	\$ 2,286,232	\$ 1,337,919	\$ 1,273,420
EXPENDITURES					
Garbage Expenses	\$ 74,019	\$ 192,276	\$ 137,462	\$ 113,199	\$ 76,871
Repairs & Maintenance	59,004	111,522	43,939	90,686	25,878
Operations/Management Fees	51,332	140,900	115,012	77,898	69,644
Inspection/Review Fees	4,763	26,902	69,012	18,121	28,716
Directors Fees, including payroll taxes	997	5,056	4,683	5,006	6,943
Legal Fees	10,704	44,756	45,672	41,077	46,464
Engineering Fees	4,665	16,267	28,504	18,387	15,520
Audit Fees	11,000	13,500	12,750	12,250	11,750
Bookkeeping Fees	12,526	27,350	26,850	23,850	24,200
Financial Advisor Fees	838	716	812	564	711
Tax Appraisal Collection	1,810	3,337	2,714	1,394	1,249
Insurance	8,558	6,097	5,721	5,041	4,808
Other	19,948	50,250	42,116	27,572	21,366
TOTAL EXPENDITURES	\$ 260,163	\$ 638,929	\$ 535,247	\$ 435,045	\$ 334,120
NET REVENUES (DEFICIT)	\$ 1,207,450	\$ 1,979,638	\$ 1,750,985	\$ 902,874	\$ 939,300
Other Financing Sources / (Uses)					
Developer Advance	\$ -	\$ -	\$ -	\$ -	\$ -
Operating Transfer / Master District Payment	(440,624)	(1,678,962)	(739,527)	(917,120)	(595,011)
Total Other Financing Sources / (Uses)	\$ (440,624)	\$ (1,678,962)	\$ (739,527)	\$ (917,120)	\$ (595,011)
Beginning Fund Balance	\$ 3,159,248	\$ 2,858,572	\$ 1,847,114	\$ 1,861,360	\$ 1,517,071
Ending Fund Balance	\$ 3,926,074	\$ 3,159,248	\$ 2,858,572	\$ 1,847,114	\$ 1,861,360

(a) Unaudited as of January 31, 2024 Represents approximately four (4) months of the District's current fiscal year.

(b) Audited.

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DEBT SERVICE REQUIREMENTS – TABLE 3

Wilbarger Creek Municipal Utility District No. 1

\$3,250,000

Unlimited Tax Bonds, Series 2024

Dated Date: April 4, 2024

First Interest Payment Due: September 1, 2024

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Total	
	Principal Due (09/01)	Interest		Total	Principal (Due 9/01)	Interest		Principal and Interest	Debt Service Requirements	
		Due (03/01)	Due (09/01)			(Due 3/01)	(Due 9/01)			Total
2024	\$ 155,000	\$ 235,734	\$ 235,734	\$ 626,469	\$ 25,000	\$ -	\$ 55,646	\$ 55,646	\$ 80,646	\$ 707,114
2025	160,000	232,822	232,822	625,644	25,000	67,388	67,388	134,775	159,775	785,419
2026	400,000	229,834	229,834	859,669	20,000	66,638	66,638	133,275	153,275	1,012,944
2027	415,000	220,813	220,813	856,625	25,000	66,038	66,038	132,075	157,075	1,013,700
2028	430,000	211,338	211,338	852,675	30,000	65,288	65,288	130,575	160,575	1,013,250
2029	445,000	201,447	201,447	847,894	35,000	64,388	64,388	128,775	163,775	1,011,669
2030	465,000	191,809	191,809	848,619	35,000	63,338	63,338	126,675	161,675	1,010,294
2031	480,000	183,128	183,128	846,256	40,000	62,288	62,288	124,575	164,575	1,010,831
2032	495,000	174,750	174,750	844,500	45,000	61,088	61,088	122,175	167,175	1,011,675
2033	515,000	166,094	166,094	847,188	45,000	59,738	59,738	119,475	164,475	1,011,663
2034	530,000	156,928	156,928	843,856	50,000	58,500	58,500	117,000	167,000	1,010,856
2035	550,000	147,050	147,050	844,100	50,000	57,500	57,500	115,000	165,000	1,009,100
2036	570,000	136,819	136,819	843,638	55,000	56,500	56,500	113,000	168,000	1,011,638
2037	585,000	126,113	126,113	837,225	65,000	55,400	55,400	110,800	175,800	1,013,025
2038	610,000	115,125	115,125	840,250	65,000	54,100	54,100	108,200	173,200	1,013,450
2039	630,000	103,694	103,694	837,388	70,000	52,800	52,800	105,600	175,600	1,012,988
2040	650,000	91,806	91,806	833,613	75,000	51,400	51,400	102,800	177,800	1,011,413
2041	675,000	79,569	79,569	834,138	80,000	49,900	49,900	99,800	179,800	1,013,938
2042	700,000	67,550	67,550	835,100	85,000	48,300	48,300	96,600	181,600	1,016,700
2043	720,000	55,075	55,075	830,150	90,000	46,600	46,600	93,200	183,200	1,013,350
2044	740,000	43,206	43,206	826,413	100,000	44,800	44,800	89,600	189,600	1,016,013
2045	765,000	31,025	31,025	827,050	105,000	42,800	42,800	85,600	190,600	1,017,650
2046	785,000	19,625	19,625	824,250	110,000	40,700	40,700	81,400	191,400	1,015,650
2047	-	-	-	-	940,000	38,500	38,500	77,000	1,017,000	1,017,000
2048	-	-	-	-	985,000	19,700	19,700	39,400	1,024,400	1,024,400
	\$ 12,470,000	\$ 3,221,353	\$ 3,221,353	\$ 18,912,706	\$ 3,250,000	\$ 1,293,688	\$ 1,310,833	\$ 2,604,521	\$ 5,854,521	\$ 24,767,227

FINANCIAL STATEMENT
(Unaudited)

Assessed Value – Table 4

2023 Certified Assessed Valuation	\$ 354,247,885 ^(a)
Estimated Assessed Valuation as of January 10, 2024	\$ 402,388,708 ^(b)
Gross Debt Outstanding (after issuance of the Bonds)	
Direct Debt	\$ 15,720,000
Contract Debt	<u>7,592,815</u>
Total Debt	\$ 23,312,815 ^(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation	6.58%
Ratio of Gross Debt to the Estimated Assessed Valuation as of January 10, 2024	5.79%
2023 Tax Rate	
Debt Service	\$ 0.1385
Maintenance	0.2335
Contract	<u>0.3500</u>
Total 2023 Tax Rate	<u>\$ 0.7220</u> ^(d)
Debt Service Fund Balance (as of March 7, 2024)	\$ 719,285 ^(e)

Area of District: 300.42 acres
Estimated Population as of January 10, 2024: 2,766 ^(f)

- (a) The certified assessed valuation as of January 1, 2023, as provided by TCAD. See “TAXING PROCEDURES.”
- (b) The estimated assessed valuation as of January 10, 2024, as provided by TCAD, is included solely for purposes of illustration. No taxes will be levied on this estimated assessed valuation unless it certified by TCAD. See “TAXING PROCEDURES.”
- (c) Includes the Bonds. The District is a party to the Master District Contract whereby the District is obligated to pay a pro rata share of the debt service on Contract Tax Bonds issued from time to time by the Master District to acquire, construct, purchase, and maintain certain facilities to provide regional water, wastewater, and drainage services to all Participants. The Master District has issued six series of new money Contract Tax Bonds and four series of refunding Contract Tax Bonds in the aggregate principal amount of \$53,670,000 of which \$28,675,000 will remain outstanding through the Date of Initial Delivery. The contract debt amount reflects the District’s pro rata share of debt service in the amount of \$7,592,815 (26.40%) based on the 2023 Certified Assessed Valuation of \$1,341,310,353 of the Service Area. See “THE MASTER DISTRICT – Contract Tax Bonds.”
- (d) The District’s Board, at its meeting in September 2023, levied a total tax rate of \$0.7220. See “TAXING PROCEDURES.”
- (e) Unaudited as of March 7, 2024. Does not include approximately twenty-four (24) months of capitalized interest (\$273,140) included in the Bond proceeds, to be deposited into the District’s Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund.
- (f) Based upon 3.0 residents per completed and occupied single family home.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
5/7/2005	Water, Wastewater, and Drainage	\$ 29,900,000	\$ 16,180,000 ^(a)	\$ 13,720,000
5/7/2005	Parks and Recreation	4,985,000	-	4,985,000
5/7/2005	Refunding Water, Wastewater, and Drainage ^(b)	44,850,000	-	44,850,000
5/7/2005	Refunding Parks and Recreation ^(b)	<u>7,477,500</u>	<u>-</u>	<u>7,477,500</u>
Total		\$ 87,212,500	\$ 16,180,000	\$ 71,032,500

- (a) Includes the Bonds.
- (b) The propositions approved by the voters authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the par amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued, which equals \$44,850,000 in water, wastewater, and drainage refunding bonds and \$7,477,500 in park and recreational facilities refunding bonds.

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds
06/28/18	Water, Wastewater, & Storm Drainage	2018	\$ 3,030,000	\$ 2,675,000
02/06/20	Water, Wastewater, & Storm Drainage	2020	2,250,000	2,180,000
12/02/21	Water, Wastewater, & Storm Drainage	2021	3,250,000	3,240,000
11/17/22	Water, Wastewater, & Storm Drainage	2022	4,400,000	4,375,000
04/04/24	Water, Wastewater, & Storm Drainage	2024	3,250,000	3,250,000 ^(a)
Subtotal			\$ 16,180,000	\$ 15,720,000

(a) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 3,901,008
Debt Service Fund	719,285 ^(b)
Capital Projects Fund	222,598

(a) Unaudited as of March 7, 2024.

(b) Does not include approximately twenty-four (24) months of capitalized interest (\$273,140) included in the Bond proceeds, to be deposited into the District's Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.

Investment Authority and Investment Practices of the District

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

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

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

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

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement must describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

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

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

Current Investments - Table 8

The District, as of March 7, 2024 (unaudited), was invested in TexPool. This investment portfolio is generally representative of the District’s investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District’s audited financial statements.

Investment Value as of March 7, 2024	
Cash	\$ 61,371
TexPool	4,781,521
Total Investments	\$ 4,842,892

Estimated Overlapping Debt Statement

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 several sources, including information contained in “Texas Municipal Reports,” published by the Municipal Advisory Council of Texas. Except for the amount relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for operation, maintenance, and/or general revenue purposes in addition to taxes of debt service and the tax burden for operation, maintenance, and/or general purposes is not included in these figures.

Taxing Body	Total Tax Supported Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Travis County	\$ 900,550,000	2/29/2024	0.070%	\$ 630,385
Manor Independent School District	501,474,999	2/29/2024	2.030%	10,179,942
Austin Community College	562,445,000	2/29/2024	0.060%	337,467
Health Care District	173,145,000	2/29/2024	0.070%	121,202
DEBT				\$ 11,268,996
The District ^(a)	\$ 23,312,815	4/4/2024	100.00%	\$ 23,312,815
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT				\$ 34,581,811
Ratio of Direct and Estimated Overlapping Debt to 2023 Certified Assessed Valuation				9.76%
Ratio of Direct and Estimated Overlapping Debt to Estimated Assessed Valuation as of January 10, 2024				8.59%

(a) Includes the Bonds and the District’s pro rata share of the Contract Tax Bonds issued by the Master District.

Overlapping Taxes for 2023

Overlapping Entity	2023 Tax Rate Per	Average Tax Bill ^(a)
	\$100 Assessed Valuation	
	Travis County	Travis County
Travis County	\$0.269707	\$ 885
Manor Independent School District	1.086100	3,563
Austin Community College	0.098600	323
Travis County Health Care District	0.100692	330
The District	0.722000	2,385
Total	<u>\$2.282099</u>	<u>\$ 7,487</u>

(a) Based upon the 2023 average single-family home value of \$328,078 as provided by TCAD.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2023 ^(a)		2022 ^(a)		2021 ^(a)	
	Amount	%	Amount	%	Amount	%
Single Family Residential	\$ 301,119,542	85.00%	\$ 180,316,250	90.16%	\$ 113,471,603	73.00%
Vacant Platted Lots/Tracts	2,184,604	0.62%	6,212,509	3.11%	307,770	0.20%
Multi-Family Residence	45,000,000	12.70%	41,700,000	20.85%	35,800,000	23.03%
Rural Land, Non-Qualified	754,656	0.21%	754,656	0.38%	-	0.00%
Qualified Land - Open Space	-	0.00%	-	0.00%	2,750,436	1.77%
Commercial Real Property	6,228,402	1.76%	5,588,451	2.79%	4,664,115	3.00%
Commercial Personal Property	1,262,432	0.36%	655,876	0.33%	512,575	0.33%
Industrial/Manufacturing	121,127	0.03%	253,827	0.13%	230,752	0.15%
Residential Inventory	36,609,268	10.33%	8,487,541	4.24%	1,027,102	0.66%
Totally Exempt Property	23,523,931	6.64%	17,755,826	8.88%	17,934,447	11.54%
Less: Adjustments	<u>(62,556,077)</u>	<u>-17.66%</u>	<u>(61,729,477)</u>	<u>-30.87%</u>	<u>(21,263,434)</u>	<u>-13.68%</u>
Total	\$ 354,247,885	100.00%	\$ 199,995,459	100.00%	\$ 155,435,366	100.00%

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

Tax Collections - Table 10

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2013	\$ 20,265,579	\$ 0.9484	\$ 192,586	\$ 192,178	99.79%	\$ 192,566	99.99%	9/30/2014 ^(b)
2014	23,104,099	0.9250	213,763	213,742	100.00%	213,742	100.00%	9/30/2015 ^(b)
2015	27,242,750	0.9080	247,511	247,495	99.99%	247,536	100.01%	9/30/2016 ^(b)
2016	30,507,934	0.8895	271,367	271,367	100.00%	271,367	100.00%	9/30/2017 ^(b)
2017	33,492,210	0.8780	292,045	292,045	100.00%	294,233	100.75%	9/30/2018 ^(b)
2018	38,214,001	0.8780	333,408	333,041	99.89%	333,041	99.89%	9/30/2019 ^(b)
2019	61,227,804	0.8780	537,564	534,876	99.50%	534,876	99.50%	9/30/2020 ^(b)
2020	155,435,366	0.8780	1,019,998	1,013,878	99.40%	1,013,878	99.40%	9/30/2021 ^(b)
2021	155,435,366	0.8550	1,329,869	1,321,890	99.40%	1,321,890	99.40%	9/30/2022 ^(b)
2022	199,995,459	0.8100	1,619,963	1,605,383	99.10%	1,605,383	99.10%	9/30/2023 ^(b)
2023	354,247,885	0.7220	2,559,345	2,493,263	97.42%	2,493,263	97.42%	9/30/2024 ^(c)

(a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

(b) Audited.

(c) Unaudited as of January 31, 2024. Taxes were due without penalty by January 31, 2024.

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District Tax Rates - Table 11

	Tax Rates per \$100 Assessed Valuation				
	2023	2022	2021	2020	2019
Debt Service	\$ 0.1385	\$ 0.1670	\$ 0.1545	\$ 0.2830	\$ 0.1631
Maintenance	0.2335	0.2930	0.3510	0.2450	0.3649
Contract	0.3500	0.3500	0.3500	0.3500	0.3500
Total	\$ 0.7220	\$ 0.8100	\$ 0.8555	\$ 0.8780	\$ 0.8780

Tax Rate Limitation

The District's tax rate for debt service on the Bonds is legally unlimited as to rate and amount. As shown above under "District Tax Rates," the District levied a 2023 debt service tax of \$0.1385/\$100 assessed valuation. See "THE DISTRICT – General."

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that 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. At an election held on May 7, 2005, voters within the District authorized a maintenance tax not to exceed \$1.50/\$100 assessed valuation. As shown above under "District Tax Rates," the District levied a 2023 maintenance and operation tax of \$0.2335/\$100 assessed valuation. See "THE DISTRICT – General."

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by TCAD based on the 2023, 2022, and 2021 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

[Chart appears on the following page.]

Name	Type of Property	2023 ^(a)	2022 ^(a)	2021 ^(a)
ShadowGlen DST ^(b)	Real Land & Improvements	\$ 45,000,000	\$ 41,700,000	(e)
Individual Landowner	Real Land & Improvements	4,100,000	3,872,924	(e)
Meritage Homes of Texas LLC ^(d)	Real Land & Improvements	2,927,421	6,587,641	1,394,467
LGI Homes-Texas LLC ^(d)	Real Land & Improvements	2,196,463	990,000	(e)
IZ&L Investment LLC	Real Land & Improvements	1,965,682	1,552,807	1,392,033
Individual Landowner	Real Land & Improvements	902,048	(e)	(e)
16 Tournament LLC	Real Land & Improvements	860,000	957,346	596,571
WM White Moon LLC	Real Land & Improvements	856,165	(e)	581,023
AMH 2014-2 Borrower LLC	Real Land & Improvements	797,998	(e)	482,400
	Real Land & Improvements	726,000	(e)	(e)
Perry Homes LLC ^(d)	Real Land & Improvements	(e)	(e)	(e)
Gehan Homes Ltd. ^(d)	Real Land & Improvements	(e)	1,296,300	(e)
SG Land Holdings LLC ^(c)	Real Land & Improvements	(e)	1,189,679	1,222,438
Meritage Homes of Texas LP ^(d)	Real Land & Improvements	(e)	1,140,000	(e)
Flats at ShadowGlen CHL I LLC	Real Land & Improvements	(e)	(e)	35,800,000
Cottonwood Holdings Ltd.	Real Land & Improvements	(e)	(e)	412,777
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
MKAK LLC	Real Land & Improvements	(e)	(e)	(e)
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
Brookhurst Aviation LLC Series R	Real Land & Improvements	(e)	(e)	322,378
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
ShadowGlen Development Corp.	Real Land & Improvements	(e)	(e)	3,342,200
Continental Homes of Texas LP	Real Land & Improvements	(e)	(e)	(e)
Individual Homeowner	Real Land & Improvements	(e)	(e)	(e)
Total		\$ 60,331,777	\$ 59,286,697	\$ 45,546,287
Percent of Assessed Valuation		17.03%	29.64%	29.30%

- (a) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.
- (b) ShadowGlen DST is the owner of The Flats at ShadowGlen Apartment Complex located on approximately 12.18 acres within the District.
- (c) The Developer.
- (d) The designated taxpayer is concentrated in the homebuilding industry. See “THE DEVELOPER – Homebuilders within the District.”
- (e) Not a principal taxpayer for the respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2023 certified assessed valuation, estimated assessed valuation as of January 10, 2024, and utilize tax rates adequate to service the District’s total debt service requirements, including the Bonds and the Outstanding Bonds. No available debt service funds are reflected in these computations. See “INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - *Impact on District Tax Rates.*”

Average Requirement on the Bonds and the Outstanding Bonds (2024 through 2048)	\$992,229
\$0.30 Tax Rate on 2023 Certified Assessed Valuation of \$354,247,881 @ 95% collections produces	\$1,009,606
\$0.26 Tax Rate on the Estimated Assessed Valuation as of January 10, 2024 of \$402,388,708 @ 95% collections produces	\$993,900
Maximum Requirement on the Bonds and the Outstanding Bonds (2048).....	\$1,024,400
\$0.31 Tax Rate on 2024 Certified Assessed Valuation of \$354,247,881 @ 95% collections produces	\$1,043,260
\$0.27 Tax Rate on the Estimated Assessed Valuation as of January 10, 2024 of \$402,388,708 @ 95% collections produces	\$1,032,127

Debt Service Fund Management Index

Debt Service Requirements for year ending 12/31/2024.....	\$707,114 ^(a)
Audited Debt Service Fund Balance as of 9/30/2023	469,716 ^(b)
Capitalized Interest included in Bond proceeds	273,140 ^(c)
2023 Tax Levy @ 95% collections produces	529,443 ^(d)
Total Available for Debt Service.....	<u>\$1,272,299</u>
Projected Debt Service Fund Balance as of September 30, 2024	\$565,185

- (a) Interest requirements on the Bonds are payable September 1, 2024.
- (b) Audited as of September 30, 2023. Represents debt service fund balance after all 2023 debt service requirements have been paid.
- (c) Represents approximately twenty-four (24) months of capitalized interest (\$273,140) included in the Bond proceeds, to be deposited into the District's Debt Service Fund upon closing.
- (d) The District levied a 2023 debt service tax of \$0.1385/\$100 of assessed valuation, collection of which is due with no penalty by January 31, 2024.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA - Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and appraisal review board responsible for appraising property for all taxing units within the county. TCAD has the responsibility for appraising property for all taxing units within Travis County, including the District. Such appraisal values are subject to review and change by the Travis Central Appraisal District Appraisal Review Board (the "Appraisal Review Board").

Except as described below, TCAD is required to appraise all property within its jurisdiction on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, TCAD is required to consider the cost method of appraisal, the income method of appraisal, and the market data comparison method of appraisal, and use the method that the chief appraiser of TCAD considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in their jurisdiction at least once every three years. A taxing unit may require an annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) market value of the property or (2) 110% of the appraised value of the property

for the preceding tax year plus the market value of all new improvements to the property (the “10% Homestead Cap”). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

The appraisal values set by TCAD are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the District, in establishing their tax rolls and tax rates. See “TAXING PROCEDURES – District and Taxpayer Remedies.”

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interests with a taxable value of less than \$500; certain property used for the control of air, water, or land pollution; solar and wind powered energy devices; certain non-profit cemeteries; farm products owned by the producer; certain property owned by qualified charitable, religious, veterans, youth development, or fraternal organizations; designated historical sites; travel trailers; and most individually owned automobiles. Property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran’s residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran’s residence homestead is also entitled to an exemption from taxation on the same or subsequently qualified homestead of the total appraised value of the same property to which the disabled veteran’s exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse’s residence homestead where certain conditions are met 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, 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. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of the qualified voters who voted in the District’s preceding election, are residence homesteads of certain persons who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District’s voters may approve. Furthermore, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified, subject to certain conditions. The District’s tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemptions would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but it must be adopted by July 1.

Tax Abatement: Travis County and the District may enter into tax abatement agreements with owners of real property. The tax abatement agreements may exempt from ad valorem taxation by the applicable taxing jurisdiction for a period of up to ten years, all or any part of the increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. To date, the District has not executed any abatement agreements.

Freeport Goods and Goods-in-Transit Exemption: Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for “freeport property,” which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit,” which are defined as certain personal property acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicles, vessel and outboard motors, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for personal property. The District took no action prior to April 1, 1990 to tax freeport property but has acted to tax goods-in-transit.

Temporary Exemption for Qualified Property Damaged by a Disaster

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% 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 under the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

Valuation of Property for Taxation

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

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

The Property Tax Code requires TCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in TCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by TCAD or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from TCAD a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as TCAD chooses formally to include such values on its appraisal roll.

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer 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 January 8 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs in 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, sixty (60) days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment, and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected 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 twenty-four (24) months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least twelve (12) months and no more than thirty-six (36) months. Additionally, the owner of a residence homestead property who is (i) sixty-five (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 are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its operation and maintenance 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 a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for 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, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus operation and maintenance tax rate plus any unused increment rates. The operation and maintenance tax that would impose 1.035 times the amount of the operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the District in that year (the "voter approval tax rate"). An election is not required if the adopted tax rate is less than or equal to the voter-approval tax rate. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts: Districts that do not meet the classification of a Special Taxing or a Developed District are 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 a rollback 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 on an annual basis, at the time a district sets its tax rate. The Board of Directors of the District designated the District as a Developing District for the 2023 tax year. 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 rollback election calculation.

Tax Payment Installments

Certain qualified taxpayers, including owners of residential homesteads, located within a natural disaster area and whose property has been damaged as a direct result of the disaster, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction such as the District if the taxpayer pays at least one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date.

District's Rights In The Event Of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2023". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Effect of FIRREA on Tax Collections

FIRREA provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the FDIC when the FDIC is acting as the conservator or receiver of an insolvent financial institution. See "INVESTMENT CONSIDERATIONS – The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by governmental immunity, bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District.

The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold, and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the Date of Initial Delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings, and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds. See "APPENDIX B -- Form of Bond Counsel Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the District relating to arbitrage and the application of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become included in gross income retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions accumulated, all of which are subject to change or modification, retroactively.

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

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

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

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

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

State, Local, and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligations, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

The District has designated the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the District covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following agreement for the benefit of the registered 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 certain specified events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 1 through 12 and in Appendix A, if such audited financial statements in Appendix A are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year, the District will file unaudited financial statements and file audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Notice of Certain Events

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

Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer of the District in a proceeding under the United States Bankruptcy Court or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to the supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term “Financial Obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words under in such clauses (15) and (16) in the preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 29, 2018.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from the MSRB

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

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

During the past five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with the Rule.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC, which firm was employed in 2014 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT.” The Board of Directors in its official capacity has relied upon the below mentioned consultants and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

“THE DISTRICT” and “THE SYSTEM” – Schroeder Engineering Company (“District Engineer”); “THE DEVELOPER” – SG Land Holdings LLC; “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued” - Records of the District, “FINANCIAL STATEMENT” – Travis Central Appraisal District; “FINANCIAL STATEMENT - Estimated Overlapping Debt Statement” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” and “THE SYSTEM - Water Supply and Distribution” and “Wastewater Collection and Treatment” – Records of the District; “THE DISTRICT - Management” - District Directors; “DEBT SERVICE REQUIREMENTS – TABLE 3” - Financial Advisor; “THE BONDS” (except “Payment Record”), “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except “Compliance with Prior Undertakings”) - McCall, Parkhurst & Horton L.L.P.

Consultants

In approving this Official Statement, the District has relied upon the following consultants in addition to the Financial Advisor.

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, that information included in the sections entitled “THE DISTRICT” and “THE SYSTEM,” has been provided by the Engineer, and has been included in reliance upon the authority of said firm in the field of civil engineering.

Auditor: The District’s financial statements for fiscal year ending September 30, 2023 were audited by McCall, Gibson, Swedlund & Barfoot Certified Public Accountants, and excerpts of the District’s Audited Financial Statements as of September 30, 2023 have been included as Appendix A in reliance upon such firm’s authority in the field of accounting.

Appraisal District: The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by TCAD and has been included herein in reliance upon the authority of said office as experts in the field of assessing valuations of property.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Certified Taxable Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by Bruce Elfant, Travis County Tax Assessor/Collector, and has been included herein in reliance upon Bruce Elfant, as an expert in collecting taxes.

Updating the Official Statement during Underwriting Period

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

Certification as to Official Statement

The District, acting by and through its Board of Directors in its official capacity in reliance upon the consultants and sources listed above, hereby certifies, as of the date hereof, that, to the best of its knowledge and belief, the information, statements, and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions, and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Initial Purchaser at closing, unless extended by the Initial Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Initial Purchaser.

Annual Audits

Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bonds outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any registered owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Wilbarger Creek Municipal Utility District No. 1, as of the date shown on the first page hereof.

/s/ Bill Kochwelp
President, Board of Directors
Wilbarger Creek Municipal Utility District No. 1

/s/ Scott Sams
Secretary, Board of Directors
Wilbarger Creek Municipal Utility District No. 1

PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."











APPENDIX A
Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of Wilbarger Creek Municipal Utility District No. 1 for the fiscal year ended September 30, 2023. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
YEAR ENDED SEPTEMBER 30, 2023**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1**

**FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2023**

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS

COUNTY OF TRAVIS

I, Bill Kochwelp, President, Board of Directors of the
(Name of Duly Authorized District Representative)

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **1st day of February, 2024**, its annual audit report for the fiscal period ended **September 30, 2023** and that copies of the annual audit report have been filed in the District's office, located at:

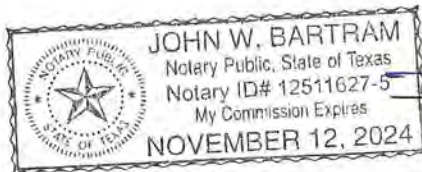
100 Congress Ave., Suite 1300
Austin, Texas 78701
(Address of District's Office)

This annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: February 1, 2024 By: *Bill Kochwelp*
(Signature of District Representative)
Bill Kochwelp, President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 1st day of February, 2024.

(SEAL)



John W. Bartram
(Signature of Notary)

My Commission Expires On: November 12, 2024.
Notary Public in the State of Texas

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
Fax (713) 462-2708

PO Box 29584
Austin, Texas 78755
(512) 610-2209
www.mgsbpllc.com
E-Mail: mgsb@mgsbpllc.com

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Wilbarger Creek Municipal Utility District No. 1
Travis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Wilbarger Creek Municipal Utility District No. 1 (the "District") as of and for the year ended September 30, 2023, 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 the District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Texas Supplementary Information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion or provide any assurance on it.

Other Information

Management is responsible for the Other Supplementary Information included in the annual report. The Other Supplementary Information does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the Other Supplementary Information, and we do not express an opinion or any form of assurance thereon.

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



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

February 1, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

In accordance with Governmental Accounting Standards Board Statement 34 ("GASB 34"), the management of Wilbarger Creek Municipal Utility District No. 1 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2023. Since this information is designed to focus on current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance was \$3,159,265, an increase of \$300,694 from the previous fiscal year. General fund revenues increased from \$2,286,232 in the previous fiscal year to \$2,618,567 in the current fiscal year due to an increase in service account collections. Operating transfers increased from \$739,528 in the previous year to \$1,678,962 in the current fiscal year.
- *Special Revenue Fund:* Fund balance restricted for contracted Master District expenditures was unchanged in the current fiscal year. The District incurred \$1,678,962 in contract charges to the Master District during the current fiscal year.
- *Debt Service Fund:* Fund balance restricted for debt service increased from \$324,598 in the previous fiscal year to \$469,716 in the current fiscal year. The District paid \$150,000 of bond principal and \$430,241 in interest on outstanding bonded debt.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased from \$203,426 in the previous fiscal year to \$218,621 in the current fiscal year. The District issued \$4,400,000 of Series 2022 Unlimited Tax Bonds and used the proceeds to purchase \$3,300,836 of infrastructure, pay \$288,724 of developer interest and fund \$470,969 of bond related expenditures.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenditures net of revenues of \$714,113. Net position decreased from \$200,861 to a deficit balance of \$493,252.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1 MANAGEMENT’S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2023

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by order of the Texas Natural Resource Conservation Commission, a predecessor of the Texas Commission on Environmental Quality, on May 30, 2002 in response to an application filed on February 12, 2001. The creation of the District was confirmed pursuant to an election held within the District on May 3, 2003. The District was created to provide water, wastewater, and storm drainage facilities to serve approximately 329 acres located within its boundaries and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. Since creation, the District’s Board of Directors has approved one exclusion of land from the District resulting in a current total of approximately 300 acres. The District is located entirely within the extraterritorial jurisdiction of the City of Manor and entirely within Travis County, Texas. The District is one of four political subdivisions, including Cottonwood Creek Municipal Utility District No. 1, Travis County Municipal Utility District No. 2, and Wilbarger Creek Municipal Utility District No. 2 (the “Participant Districts”), created to provide water, wastewater, and storm drainage to approximately 1,514 acres located within Travis County, Texas. Under this arrangement, Wilbarger Creek Municipal Utility District No. 2 serves as the “Master District” for the purpose of coordinating the design, construction, ownership, operation, and maintenance of the water distribution and treatment, wastewater collection and treatment, drainage, and water quality facilities to serve the Participant Districts.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

USING THIS ANNUAL REPORT

This annual report consists of five parts:

1. *Management’s Discussion and Analysis* (this section)
2. *Basic Financial Statements* (Including the Notes to the Financial Statements)
3. *Required Supplementary Information*
4. *Texas Supplementary Information* (required by the Texas Commission on Environmental Quality (the TSI section))
5. *Other Supplementary Information* (the OSI section)

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Required Supplementary Information* presents a comparison statement between the District’s adopted budget and its actual results.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2023	2022	
Current and other assets	\$ 4,460,612	\$ 3,915,918	\$ 544,694
Capital and non-current assets	9,234,024	6,122,730	3,111,294
Total Assets	13,694,636	10,038,648	3,655,988
Current Liabilities	788,339	658,777	129,562
Long-term Liabilities	13,399,549	9,159,010	4,240,539
Total Liabilities	14,187,888	9,817,787	4,370,101
Net Investment in Capital Assets	(3,036,482)	(1,892,432)	(1,144,050)
Restricted	442,484	314,096	128,388
Unrestricted	2,100,746	1,799,197	301,549
Total Net Position	\$ (493,252)	\$ 220,861	\$ (714,113)

The District's combined net position decreased from \$220,861 in the previous fiscal year to a deficit balance of \$493,252 in the current fiscal year. The District's unrestricted net position, which can be used to finance day to day operations, totaled a balance of \$2,100,746.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2023	2022	
Property Tax	\$ 1,631,353	\$ 1,333,426	\$ 297,927
Service Accounts	1,728,842	1,175,914	552,928
Other	358,378	569,912	(211,534)
Total Revenues	3,718,573	3,079,252	639,321
Contracted Master District Services	2,387,713	1,281,626	(1,106,087)
Contracted Services	471,600	365,425	(106,175)
Professional fees	103,853	119,356	15,503
Other	71,612	55,535	(16,077)
Developer interest	288,724	143,867	(144,857)
Debt service	919,642	578,036	(341,606)
Depreciation	189,542	120,514	(69,028)
Total Expenses	4,432,686	2,664,359	(1,768,327)
Change in Net Position	(714,113)	414,893	(1,129,006)
Beginning Net Position	220,861	(194,032)	414,893
Ending Net Position	\$ (493,252)	\$ 220,861	\$ (714,113)

Revenues were \$3,718,573 for the fiscal year ended September 30, 2023 while expenses were \$4,432,686. Net position decreased \$714,113.

Property tax revenues in the current fiscal year totaled \$1,631,353. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2022 tax year (September 30, 2023 fiscal year) were based upon a current assessed value of \$199,995,459 and a tax rate of \$0.81 per \$100 of assessed valuation. Property taxes levied for the 2021 tax year (September 30, 2022 fiscal year) were based upon an adjusted assessed value of \$155,435,366 and a tax rate of \$0.8555 per \$100 of assessed valuation. The District's primary revenue sources are property taxes and service accounts.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

ANALYSIS OF GOVERNMENTAL FUNDS

	<u>Governmental Funds by Year</u>		
	2023	2022	2021
Cash on deposit	\$ 140,839	\$ 149,068	\$ 418,399
Cash equivalents	4,001,851	3,483,964	2,065,256
Other	354,300	323,916	243,904
Total Assets	<u>\$ 4,496,990</u>	<u>\$ 3,956,948</u>	<u>\$ 2,727,559</u>
Accounts payable	103,970	74,985	66,744
Refundable deposits	166,235	125,185	109,797
Interfund payable	36,378	41,030	45,702
Intergovernmental payable	323,845	312,340	201,012
Total Liabilities	<u>630,428</u>	<u>553,540</u>	<u>423,255</u>
Deferred Inflows of Resources	<u>18,960</u>	<u>16,813</u>	<u>15,985</u>
Nonspendable	780	87	433
Restricted	688,337	528,024	441,205
Assigned and Unassigned	3,158,485	2,858,484	1,846,681
Total Fund Balances	<u>3,847,602</u>	<u>3,386,595</u>	<u>2,288,319</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,496,990</u>	<u>\$ 3,956,948</u>	<u>\$ 2,727,559</u>

For the fiscal year ended September 30, 2023, the District's governmental funds reflect a fund balance of \$3,847,602.

This fund balance includes a \$300,694 increase in the General Fund.

The Special Revenue Fund balance was unchanged for the fiscal year. The Special Revenue Fund incurred Master District charges of \$2,387,713 and received operating transfers from the General Fund of \$1,678,962.

The Debt Service Fund reflects an increase of \$145,118 in fiscal year 2023. The Debt Service Fund paid \$150,000 of bond principal and \$430,241 of interest on outstanding bonded debt. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Projects Fund purchases the District's infrastructure. The Capital Projects Fund had a \$15,195 increase in fund balance for fiscal year 2023. The District issued \$4,400,000 of Series 2022 Unlimited Tax Bonds and used the proceeds to purchase \$3,300,836 of infrastructure, pay \$288,724 of developer interest and fund \$470,969 of bond related expenditures.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

BUDGETARY HIGHLIGHTS

The *General Fund* pays for daily operating costs. As adopted on September 1, 2022, the Board of Directors approved a budget projecting revenues of \$1,841,312 as compared to expenditures of \$639,622 and operating transfers of \$1,297,080. When comparing actual to budget, the District had a positive variance of \$396,084. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CAPITAL ASSETS

The District's governmental activities had invested \$9,234,024 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2023	9/30/2022
Capital Assets:		
Land	\$ -	\$ -
Water/Wastewater/Drainage	9,752,160	6,451,324
Less: Accumulated Depreciation	(518,136)	(328,594)
Total Net Capital Assets	<u>\$ 9,234,024</u>	<u>\$ 6,122,730</u>

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

LONG TERM DEBT

The District has the following balances outstanding on unlimited tax bonds:

	Bonds Payable
Series 2018	\$ 2,675,000
Series 2020	2,180,000
Series 2021	3,240,000
Series 2022	4,375,000
Total	<u>\$ 12,470,000</u>

The District owes approximately \$12.5 million to bondholders. The ratio of the District's long-term debt to the total 2022 taxable assessed valuation (\$199,995,459) is 6.2%. The District's estimated population, as of September 30, 2023, is 2,847. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2023

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The amount of assessed value of property within the District for the 2023 tax year (September 30, 2024 fiscal year) is approximately \$354 million and the tax rate levied was \$0.722 per \$100 of assessed valuation. Approximately 32% of the property tax will fund general operating expenses, 49% will fund contracted Master District activity and 19% will fund debt service on outstanding bonds.

The adopted budget for fiscal year 2024 projects a decrease of \$466,375 to the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, Austin, Texas 78701.

FINANCIAL STATEMENTS

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Statement of Net Position
ASSETS							
Cash and cash equivalents:							
Cash	\$ 140,839	\$ -	\$ -	\$ -	\$ 140,839	\$ -	\$ 140,839
Cash equivalents	3,308,894	2,888	471,448	218,621	4,001,851	-	4,001,851
Receivables:							
Service accounts, net of allowance for doubtful accounts of \$ - 0 -	257,750	-	-	-	257,750	-	257,750
Taxes	6,903	8,047	4,010	-	18,960	-	18,960
Interfund	36,012	366	-	-	36,378	(36,378)	-
Other	5,932	-	-	-	5,932	-	5,932
Prepaid costs	780	-	-	34,500	35,280	-	35,280
Capital Assets, net of accumulated depreciation:							
Water/Wastewater/Drainage System	-	-	-	-	-	9,234,024	9,234,024
TOTAL ASSETS	\$ 3,757,110	\$ 11,301	\$ 475,458	\$ 253,121	\$ 4,496,990	\$ 9,197,646	\$ 13,694,636
LIABILITIES							
Accounts payable	\$ 103,402	\$ 568	\$ -	\$ -	\$ 103,970	\$ -	\$ 103,970
Accrued interest payable	-	-	-	-	-	39,289	39,289
Refundable deposits	166,235	-	-	-	166,235	-	166,235
Interfund payables	-	146	1,732	34,500	36,378	(36,378)	-
Intergovernmental payables	321,305	2,540	-	-	323,845	-	323,845
Due to developer	-	-	-	-	-	1,065,422	1,065,422
Bonds payable:							
Due within one year	-	-	-	-	-	155,000	155,000
Due after one year	-	-	-	-	-	12,334,127	12,334,127
TOTAL LIABILITIES	590,942	3,254	1,732	34,500	630,428	13,557,460	14,187,888
DEFERRED INFLOWS OF RESOURCES							
Property taxes	6,903	8,047	4,010	-	18,960	(18,960)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	6,903	8,047	4,010	-	18,960	(18,960)	-
FUND BALANCES / NET POSITION							
Fund balances:							
Nonspendable	780	-	-	-	780	(780)	-
Restricted for debt service	-	-	469,716	-	469,716	(469,716)	-
Restricted for authorized construction	-	-	-	218,621	218,621	(218,621)	-
Assigned for 2024 Budget Deficit	466,375	-	-	-	466,375	(466,375)	-
Unassigned	2,692,110	-	-	-	2,692,110	(2,692,110)	-
TOTAL FUND BALANCES	3,159,265	-	469,716	218,621	3,847,602	(3,847,602)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,757,110	\$ 11,301	\$ 475,458	\$ 253,121	\$ 4,496,990		
NET POSITION:							
Net investment in capital assets						(3,036,482)	(3,036,482)
Restricted for Master District Services						8,047	8,047
Restricted for debt service						434,437	434,437
Unrestricted						2,100,746	2,100,746
TOTAL NET POSITION						\$ (493,252)	\$ (493,252)

The accompanying notes are an integral part of this statement.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
SEPTEMBER 30, 2023**

	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Statement of Activities
REVENUES:							
Property taxes, including penalties	\$ 589,172	\$ 703,514	\$ 336,520	\$ -	\$ 1,629,206	\$ 2,147	\$ 1,631,353
Service accounts, including penalties	1,728,842	-	-	-	1,728,842	-	1,728,842
Connection/inspection fees	158,960	-	-	-	158,960	-	158,960
Interest and other	141,593	10,080	32,550	15,195	199,418	-	199,418
TOTAL REVENUES	2,618,567	713,594	369,070	15,195	3,716,426	2,147	3,718,573
EXPENDITURES / EXPENSES:							
Current:							
Contracted Master District services	-	2,387,713	-	-	2,387,713	-	2,387,713
Garbage expenditures	192,276	-	-	-	192,276	-	192,276
Repairs/maintenance	111,522	-	-	-	111,522	-	111,522
Operations/management fee	140,900	-	-	-	140,900	-	140,900
Inspection/review fees	26,902	-	-	-	26,902	-	26,902
Director fees, including payroll taxes	5,056	-	-	-	5,056	-	5,056
Legal fees	44,756	-	-	-	44,756	-	44,756
Engineering fees	16,267	-	-	-	16,267	-	16,267
Audit fees	13,500	-	-	-	13,500	-	13,500
Bookkeeping fees	27,350	-	-	-	27,350	-	27,350
Financial advisor fees	716	856	408	-	1,980	-	1,980
Other consulting fees	4,550	-	-	-	4,550	-	4,550
Tax appraisal/collection	3,337	3,987	1,903	-	9,227	-	9,227
Insurance	6,097	-	-	-	6,097	-	6,097
Bank fees	39,958	-	-	-	39,958	-	39,958
Developer interest	-	-	-	288,724	288,724	-	288,724
Other	5,724	-	1,000	-	6,724	-	6,724
Debt service:							
Principal	-	-	150,000	-	150,000	(150,000)	-
Interest	-	-	430,241	-	430,241	17,232	447,473
Fiscal agent fees and other	-	-	1,200	-	1,200	-	1,200
Bond issuance fees	-	-	-	470,969	470,969	-	470,969
Capital outlay	-	-	-	3,300,836	3,300,836	(3,300,836)	-
Depreciation/amortization	-	-	-	-	-	189,542	189,542
TOTAL EXPENDITURES / EXPENSES	638,911	2,392,556	584,752	4,060,529	7,676,748	(3,244,062)	4,432,686
Excess / (deficiency) of revenues over expenditures/expenses	1,979,656	(1,678,962)	(215,682)	(4,045,334)	(3,960,322)	3,246,209	(714,113)
OTHER FINANCING SOURCES (USES):							
Bond proceeds	-	-	360,800	4,039,200	4,400,000	(4,400,000)	-
Bond discount	-	-	-	(46,341)	(46,341)	46,341	-
Bond premium	-	-	-	67,670	67,670	(67,670)	-
Operating transfer	(1,678,962)	1,678,962	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(1,678,962)	1,678,962	360,800	4,060,529	4,421,329	(4,421,329)	-
NET CHANGE IN FUND BALANCES	300,694	-	145,118	15,195	461,007	(461,007)	-
CHANGE IN NET POSITION						(714,113)	(714,113)
FUND BALANCES / NET POSITION:							
Beginning of the year	2,858,571	-	324,598	203,426	3,386,595	(3,165,734)	220,861
End of the year	\$ 3,159,265	\$ -	\$ 469,716	\$ 218,621	\$ 3,847,602	\$ (4,340,854)	\$ (493,252)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Wilbarger Creek Municipal Utility District No. 1 (the "District") relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. Generally accepted accounting principles for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created effective May 30, 2002, by an Order of the Texas Water Commission, presently known as the Texas Commission on Environmental Quality (the "Commission"). The District was created pursuant to Article 16, Section 59 of the Texas Constitution and operates under Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors the members of which have been elected by District residents or appointed by the Board of Directors. The District is not included in any other governmental "reporting entity" as defined by GASB standards, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in GASB standards which are included in the District's reporting entity. The Board of Directors held its first meeting on November 22, 2002.

Basis of Presentation - Government-wide and Fund Financial Statements - These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting ("GASB Codification").

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

- Net Investment in Capital Assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position - This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position - This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District's policy to use restricted resources first.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

- **Government-wide financial statements:**

The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District's capital assets, including infrastructure. The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

Governmental Fund Types - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund types:

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Special Revenue Fund** - The Special Revenue Fund accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Governmental Fund Types (continued) –

- **Debt Service Fund** - The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources restricted, committed or assigned for the acquisition or construction of major capital facilities.

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

Basis of Accounting

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

Fund Financial Statements - The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in the net current assets. Governmental funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual (i.e., both measurable and available).

“Measurable” means that the amount of the transaction can be determined and “available” means the amount of the transaction is collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Expenditures, if measurable, are generally recognized on the accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include the unmatured principal and interest on general obligation long-term debt which is recognized when due. This exception is in conformity with generally accepted accounting principles.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting (continued)

Property tax revenues are recognized when they become available. In this case, available means when due, or past due and receivable within the current period and collected within the current period or soon enough thereafter to be used to pay liabilities of the current period. Such time thereafter shall not exceed 60 days. Tax collections expected to be received subsequent to the 60-day availability period are reported as deferred inflows of resources. All other revenues of the District are recorded on the accrual basis in all funds.

The District reports deferred inflows of resources on its balance sheet. Deferred inflows arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for deferred inflows is removed from the balance sheet and revenue is recognized.

Budgets and Budgetary Accounting - A budget was adopted on September 1, 2022 for the General Fund on a basis consistent with generally accepted accounting principles. The District’s Board of Directors utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year.

Cash and Cash Equivalents - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of common trust funds, money market funds, and obligations in the State Comptroller’s Investment Pool are recorded at amortized cost.

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

Fund Balances – Fund balances in governmental funds are classified using the following hierarchy:

- ***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.
- ***Restricted***: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.
- ***Committed***: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. 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 assigned \$466,375 for a fiscal year 2024 budget deficit.
- ***Unassigned***: all other spendable amounts in the General Fund.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Fund Balances (continued) -

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

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

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS -

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

Fund Balances - Total Governmental Funds		\$ 3,847,602
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds-		
Capital assets	9,752,160	
Less: Accumulated depreciation	<u>(518,136)</u>	9,234,024
Revenue is recognized when earned in the government statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available		18,960
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:		
Developer advances		(1,065,422)
Bonds payable		(12,470,000)
Bond discounts/premiums, net		(19,127)
Accrued interest		<u>(39,289)</u>
Net Position - Governmental Activities		<u><u>\$ (493,252)</u></u>

Adjustments to convert the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities are as follows:

Net Change in Fund Balances - Governmental Funds		\$ 461,007
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Bond principal payments as expenditures	150,000	
Interest expenditures in year paid	(17,232)	
Tax revenue when collected	2,147	
Capital outlay in year paid	3,300,836	
Bond sale, net, as other financing source	<u>(4,421,329)</u>	(985,578)
Governmental funds do not report:		
Depreciation/amortization		<u>(189,542)</u>
Change in Net Position - Governmental Activities		<u><u>\$ (714,113)</u></u>

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. CASH AND INVESTMENTS

The investment policies of the District are governed by State statute and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third party trustees.

Cash - At September 30, 2023, the carrying amount of the District's deposits was \$140,839 and the bank balance was \$144,803. The bank balance was covered by federal depository insurance and other pledged collateral.

Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and limiting investments as follows:

- Money market mutual funds are required to have weighted average maturities of 90 days or fewer; and
- Other mutual fund investments are required to have weighted average maturities of less than two years.

Credit risk. The District's investment policy requires the application of the prudent-person rule: Investments are made as a prudent person would be expected to act, with discretion and intelligence, and considering the probable safety of their capital as well as the probable income to be derived. The District's investment policy requires that District funds be invested in:

- Obligations of the United States Government and or its agencies and instrumentalities;
- Money market mutual funds with investment objectives of maintaining a stable net asset value of \$1 per share;
- Mutual funds rated in one of the three highest categories by a nationally recognized rating agency; and
- Securities issued by a State or local government or any instrumentality or agency thereof, in the United States, and rated in one of the three highest categories by a nationally recognized rating agency; and
- Public funds investment pools rated AAA or AAA-m by a nationally recognized rating agency.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

3. CASH AND INVESTMENTS (continued) –

Investments (continued) -

At September 30, 2023, the District held the following investments:

Investment	Fair Value at 9/30/2023	Governmental Fund				Investment Rating	
		General	Special Revenue	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)	Restricted (3)		
TexPool	\$ 4,001,851	\$ 3,308,894	\$ 2,888	\$ 471,448	\$ 218,621	AAAm	Standard & Poors
	\$ 4,001,851	\$ 3,308,894	\$ 2,888	\$ 471,448	\$ 218,621		

(1) Restricted for Payment of contractual Master District obligations.

(2) Restricted for Payment of Debt Service and Cost of Assessing and Collecting Taxes.

(3) Restricted for Purchase of Capital Assets.

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2023, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of September 30, 2023, the District's bank deposits were fully covered by FDIC insurance.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Travis Central Appraisal District establishes appraised values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Travis County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set tax rates for the 2022 tax year on September 1, 2022.

The property tax rates, established in accordance with State law, were based on 100% of the net assessed valuation of real property within the District on the 2022 tax roll. The tax rate, based on total taxable assessed valuation of \$199,995,459 was \$0.81 on each \$100 valuation and was allocated as follows:

	<u>Tax Rate</u>
General Fund	\$ 0.2930
Special Revenue Fund	0.3500
Debt Service Fund	0.1670
	<u>\$ 0.8100</u>

Property taxes receivable at September 30, 2023, consisted of the following:

	General Fund	Special Revenue Fund	Debt Service Fund	Total
Current year levy	\$ 5,127	\$ 6,124	\$ 2,922	\$ 14,173
Prior years' levies	1,776	1,923	1,088	4,787
	<u>\$ 6,903</u>	<u>\$ 8,047</u>	<u>\$ 4,010</u>	<u>\$ 18,960</u>

The maximum allowable maintenance tax of \$1.50 was established by the voters on May 7, 2005.

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

5. CONTRACT TAXES

At an election held on May 7, 2005, voters authorized a contract tax on all property within the District subject to taxation. During the year ended September 30, 2023, the District levied an ad valorem contract tax at the rate of \$0.35 per \$100 of assessed valuation, which resulted in a tax levy of \$712,193 on taxable valuation of \$199,995,459 for the 2022 tax year. This contract tax was used to pay for the District's pro rata share of operations and maintenance expenses, reserve requirements and debt service for Master District facilities as described in Note 9.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

6. INTERFUND ACCOUNTS

A summary of interfund accounts at September 30, 2023, is as follows:

	Interfund	
	Receivables	Payables
General Fund -		
Special Revenue Fund	\$ 146	\$ -
Debt Service Fund	1,366	-
Capital Projects Fund	34,500	-
Special Revenue Fund -		
General Fund	-	146
Debt Service Fund	366	-
Debt Service Fund -		
General Fund		1,366
Special Revenue Fund	-	366
Capital Projects Fund -		
General Fund	-	34,500
	<u>\$ 36,378</u>	<u>\$ 36,378</u>

7. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Capital assets not being depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
Capital assets being depreciated:				
Water/Wastewater/Drainage System	6,451,324	3,300,836	-	9,752,160
Total capital assets being depreciated	6,451,324	3,300,836	-	9,752,160
Less accumulated depreciation for:				
Water/Wastewater/Drainage System	(328,594)	(189,542)	-	(518,136)
Total accumulated depreciation	(328,594)	(189,542)	-	(518,136)
Total capital assets being depreciated, net of accumulated depreciation	6,122,730	3,111,294	-	9,234,024
Total capital assets, net	<u>\$ 6,122,730</u>	<u>\$ 3,111,294</u>	<u>\$ -</u>	<u>\$ 9,234,024</u>

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. BONDED DEBT

The following is a summary of bond transactions of the District for the year ended September 30, 2023:

	Unlimited Tax Bonds
Bonds payable at October 1, 2022	\$ 8,220,000
Bonds issued	4,400,000
Bonds retired	<u>(150,000)</u>
Subtotal	12,470,000
Less: Bond Discounts/Premiums, net of amortization	19,127
Bonds payable at September 30, 2023	<u><u>\$ 12,489,127</u></u>

Bonds payable at September 30, 2023, were comprised of the following individual issues:

Unlimited Tax Bonds:

\$2,675,000 - 2018 Unlimited Tax Bonds paid serially through the year 2042 at interest rates which range from 3.00% to 4.00%. Bonds maturing on or after September 1, 2024 are redeemable on September 1, 2023 or on any date thereafter. Bonds maturing on September 1, 2042, are subject to mandatory sinking fund redemption.

\$2,180,000 - 2020 Unlimited Tax Bonds paid serially through the year 2044 at interest rates which range from 2.25% to 4.25%. Bonds maturing on or after September 1, 2026 are redeemable on September 1, 2025 or on any date thereafter. Bonds maturing on September 1, 2032, 2035, 2038, 2040 and 2042, are subject to mandatory sinking fund redemption.

\$3,240,000 - 2021 Unlimited Tax Bonds paid serially through the year 2045 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after September 1, 2029 are redeemable on September 1, 2028 or on any date thereafter. Bonds maturing on September 1, 2035, 2037, 2040 and 2045, are subject to mandatory sinking fund redemption.

\$4,375,000 - 2022 Unlimited Tax Bonds paid serially through the year 2046 at interest rates which range from 4.75% to 6.50%. Bonds maturing on or after September 1, 2031 are redeemable on September 1, 2029 or on any date thereafter. Bonds maturing on September 1, 2031, 2033, 2035, 2037, 2039, 2042 and 2046, are subject to mandatory sinking fund redemption.

On November 17, 2022, the District issued Unlimited Tax Bonds, Series 2022, of \$4,400,000 with interest rates ranging from 4.50% to 6.50%. The net proceeds of \$4,269,359 (after payment of underwriter fees and other bond related costs) were used to finance developer funded infrastructure improvement costs, fund future interest payments and pay subsequent bond issue costs.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

8. BONDED DEBT (continued) -

The annual requirement to amortize all bonded debt at September 30, 2023, including interest, is as follows:

Year Ended September 30,	Principal	Interest	Total
2024	\$ 155,000	\$ 471,469	\$ 626,469
2025	160,000	465,644	625,644
2026	400,000	459,669	859,669
2027	415,000	441,624	856,624
2028	430,000	422,675	852,675
2029 - 2033	2,400,000	1,834,455	4,234,455
2034 - 2038	2,845,000	1,364,068	4,209,068
2039 - 2043	3,375,000	795,387	4,170,387
2044 - 2046	2,290,000	187,712	2,477,712
	<u>\$ 12,470,000</u>	<u>\$ 6,442,703</u>	<u>\$ 18,912,703</u>

\$469,716 is available in the Debt Service Fund to service the bonded debt. Bonds authorized but not issued for water, wastewater and drainage facilities amounted to \$16,970,000 at September 30, 2023. Voters of the District have also approved the issuance of \$4,985,000 of bonds for parks and recreational facilities.

9. FINANCING AND OPERATION OF REGIONAL FACILITIES

On March 6, 2003, the District entered into an Amended and Restated Contract for Financing and Operation of Regional Waste Collection, Treatment and Disposal Facilities; Regional Water Supply and Delivery Facilities and Regional Drainage, Including Water Quality Facilities (the "Master District Contract"). In addition to the District, parties to the Master District Contract include Wilbarger Creek Municipal Utility District No. 2 ("Wilbarger Creek MUD No. 2"), Cottonwood Creek Municipal Utility District No. 1 ("Cottonwood Creek MUD No. 1"), and Travis County Municipal Utility District No. 2 ("Travis County MUD No. 2"), all together known as the "Participant Districts". This Master District Contract amended and restated a prior contract entered into between the Participant Districts that was not submitted to the voters for approval.

General

The District along with the other three Participant Districts were created as conservation and reclamation districts for the purpose of providing water, wastewater and drainage facilities and services to the acreage within their respective boundaries. Pursuant to an election held within the boundaries of each Participant District, the voters in each Participant District approved the Master District Contract, which designates Wilbarger Creek MUD No. 2 as the "Master District" for purposes of coordinating the design, construction, ownership, operation, and maintenance of certain regional water, wastewater, and storm drainage, including water quality, facilities to serve development within the Participant Districts. The Master District Contract also authorizes the Master District to issue contract tax bonds to acquire, purchase, construct and maintain Master District facilities to serve the Participant Districts. The Master District owns and operates the Master District facilities.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) -

Each of the Participant Districts has executed the Master District Contract with the Master District and obtained the approval of the Master District Contract from the voters of each Participant District at elections held separately within the boundaries of each Participant District. The Master District Contract requires all Participant Districts to pay a pro rata share of debt service on the Master District bonds, based upon each Participant District's assessed valuation as a percentage of the total certified assessed valuation in the Master District's service area. Each Participant District is obligated to pay its pro rata share of the annual debt service payments from the proceeds of an annual ad valorem contract tax which is not limited as to rate or amount which includes the charges and costs of paying agents, registrars, and trustees utilized in connection with the Master District bonds, the principal, interest and redemption requirements of the Master District bonds and all amounts required to establish and maintain funds established under any related bond resolution or trust indenture. Each Participant District's pro rata share of debt service requirements will be calculated annually by the Master District; however, the levy of a contract tax or other available means of payment is the sole responsibility of each Participant District for the purpose of paying its pro rata share of debt service on the Master District's bonds. The Master District Contract also provides for operation and maintenance costs for facilities constructed or acquired pursuant to the Contract; duties of the parties; establishment and maintenance of funds; assignment; arbitration; amendments; force majeure; insurance; and other provisions.

Master District Service Area

The Chart below more completely describes the Participant Districts including each Participant District's acreage and projected ultimate living unit equivalents ("LUEs") based on current land use plans.

Participant	Acreage ^(a)	Existing LUEs ^(b)	Projected Ultimate LUEs ^(c)
Travis County MUD No. 2	404.11	1,122	1,247
Cottonwood Creek MUD No. 1	417.70	1,647	2,216
The District	300.42	1,132	1,555
Wilbarger Creek MUD No. 2	<u>392.10</u>	-	<u>1,449</u>
Sub-Total	1,514.33	3,901	6,467
Park & Irrigation	-	-	<u>100</u>
Total	<u>1,514.33</u>	<u>3,901</u>	<u>6,567</u>

(a) Gross acreage includes all easements, rights-of-way and any other undevelopable acreage.

(b) As of September 30, 2023.

(c) Provided by the Developers and represents the existing land use plan. The District makes no representation that property within the Master District or within the Participant Districts will develop as shown above.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

The Participant Districts and Metro H2O, Ltd., now known as Metro Water Systems, Inc. ("Metro"), originally entered into (i) an "Amended and Restated Regional Sewage Disposal Capacity and Services Agreement for a Portion of Northeastern Travis County, Texas" (the "Wastewater Treatment Contract") whereby Metro agreed to construct certain wastewater treatment facilities sufficient to serve up to 6,010 LUEs of wastewater from the Participant Districts; and (ii) an "Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" (as amended, the "Water Supply Contract") whereby Metro agreed to provide up to 6,010 LUEs of potable water supply capacity to the Participant Districts. Pursuant to an "Assignment and Assumption of Rights and Obligations under Regional Water and Sewer Contracts; Operations Agreement; and Capacity Reservation Agreement" dated effective October 1, 2005 (the "Capacity Assignment"), the Participant Districts assigned all of their rights and obligations with respect to wastewater treatment capacity under the Wastewater Treatment Contract and water supply capacity under the Water Supply Contract to the Master District, which, in turn, reserved wastewater treatment capacity and water supply capacity in favor of the Participants at full build-out in the amounts set forth in the Wastewater Treatment Contract and the Water Supply Contract, respectively, and will allocate such capacity on an interim basis fairly and equitably among the Participant Districts.

Under the Wastewater Treatment Contract, Metro completed construction of a 500,000 gallons per day ("gpd") wastewater treatment plant and lift station (the "Wastewater Treatment Plant"). The Master District subsequently negotiated to purchase the Wastewater Treatment Plant from Metro pursuant to an Asset Purchase Agreement dated November 20, 2008. The closing of such transaction occurred on December 31, 2008, at which time Metro transferred ownership of the Wastewater Treatment Plant and its interest in the Wastewater Treatment Contract to the Master District. The Master District intends to finance future expansions of the Wastewater Treatment Plant through the issuance of bonds. Therefore, no further LUE Fees will be charged for wastewater treatment capacity under the Wastewater Treatment Contract. Because the Wastewater Treatment Plant is now owned and operated by the Master District, the Participant Districts elected to terminate the Wastewater Treatment Contract effective February 22, 2022 after the first 20-year term thereof. Thereafter, the Wastewater Treatment Plant will continue to be operated by the Master District as a Master District Facility under the Master District Contract.

Under the Water Supply Contract, as affected by the Capacity Assignment, the Master District was originally contractually obligated to purchase water capacity from Metro at the time of each connection and on a quarterly basis through the payment of water LUE fees. However, pursuant to a "First Amendment Amended and Restated Regional Water Capacity and Supply Agreement for a Portion of Northeastern Travis County, Texas" dated August 9, 2011 (the "Water Supply Contract Amendment"), in consideration of the payment of \$250,000 to Metro, the obligation to make water LUE fee payments to Metro terminated until the number of LUEs actually connected to the water system serving the Master District's service area exceeded 2,610, at which point water LUE fees are required to be paid on a connection by connection basis. According to the Master District's utility operator, the Master District's service area exceeded 2,610 LUEs in early 2019, thus triggering the obligation to pay water LUE fees on a connection by connection basis.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

The currently estimated 6,567 LUEs projected to be developed within the Participant Districts are in excess of the 6,010 LUEs currently reserved for the Participant Districts under the Water Supply Contract and the Wastewater Treatment Contract. The Participant Districts have commenced negotiations with Metro with respect to the Water Supply Contract to, among other things, increase the existing water LUE capacity. After the Wastewater Treatment Contract terminated on February 12, 2022, capacity in the Wastewater Treatment Plant is managed by the Master District under the Master District Contract and the Capacity Assignment.

The Master District facilities constructed or acquired to date have been acquired or constructed with funds provided by the developers and proceeds of the Master District's Series 2006 and Series 2008 Bonds, which have since been refunded, and Series 2017, Series 2018, Series 2019 and Series 2021 Bonds. Future water LUE Fee payments required under the Water Supply Contract, as amended, are to be paid on a connection by connection basis.

The chart below further describes the Participant Districts and their respective pro rata share of the Bonds based upon their certified 2023 Assessed Valuation.

Participant	2023 Certified Assessed Valuation ^(a)	Pro Rata Share of Master District Debt	Pro Rata Share of Average Annual Debt of \$2,502,839 ^(b)
Travis County MUD No. 2	\$ 475,394,587	35.4%	\$ 887,164
Cottonwood Creek MUD No. 1	498,205,126	37.1%	929,732
Wilbarger Creek MUD No. 2	13,320,346	1.0%	24,858
The District	354,247,885	26.4%	661,085
	<u>\$ 1,341,167,944</u>	<u>100%</u>	<u>\$ 2,502,839</u>

(a) Assessed valuations as of January 1, 2023 as certified by the Appraisal District.

(b) Preliminary; subject to change.

The Master District owns and operates the Master District facilities. Each Participant District within the Master District service area (including the Master District in its capacity as provider of internal water distribution, wastewater collection and storm drainage to serve the acreage within its boundaries) owns or will own the internal water distribution, wastewater collection and storm drainage lines within its boundaries. Additionally, the Participant Districts will operate, maintain and provide retail billing and collection services for their respective internal facilities. The internal facilities have been or are expected to be financed with unlimited tax bonds sold by each of the Participant Districts, including the Master District in its role as Participant District. It is anticipated that the Master District facilities will be acquired or constructed in stages to meet the needs of a continually expanding population within the Master District service area. In the event that the Master District fails to meet its obligations to provide Master District facilities as required by the Master District Contract, each Participant District has the right pursuant to the Master District Contract to design, acquire, construct, or expand the Master District facilities needed to provide service to each Participant District, and convey such Master District facilities to the Master District in consideration of payment by the Master District of the actual reasonable necessary capital costs expended by that Participant District for such Master District facilities.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

Each Participant District is further obligated to pay monthly charges to the Master District for water and sewer services rendered pursuant to the Master District Contract (“Monthly Charges”). The Monthly Charges to be paid by each Participant District to the Master District will be used to pay each Participant District’s share of operation and maintenance costs and to provide for an operation and maintenance reserve equal to three months of operation and maintenance costs or such other amount as determined by the Master District’s financial advisor. For fiscal year 2023, the Master District’s financial advisor recommended maintenance of a three-month operation and maintenance reserve set aside in a separate fund by the Master District, as well as maintenance of funds equal to approximately two months’ budgeted expenses in the Master District’s general fund. Each Participant District’s share of operation and maintenance costs and reserve requirements is calculated by the Master District based upon the following categories of costs: (i) direct costs, including LUE fee payments and other costs directly incurred by the Participant District; (ii) volume-related costs, including actual usage fees related to water supply and wastewater collection and treatment; and (iii) all other costs, including administrative costs.

Pursuant to the Master District Contract, each Participant District is obligated to establish and maintain rates, fees and charges for services provided by each Participant District’s water distribution system and wastewater collection system, which, together with taxes levied and funds received from any other lawful sources, are sufficient at all times to pay its operation and maintenance costs, and its obligations pursuant to the Master District Contract, including its pro rata share of the Master District’s debt service requirements and Monthly Charges. All sums payable by each Participant District to the Master District pursuant to the Master District Contract are to be paid without set off, counterclaim, abatement, suspension or diminution. If any Participant District fails to pay its share of these costs in a timely manner, the Master District Contract provides that the Master District may withhold, in whole or in part, any reservation or allocation of capacity in the Master District’s facilities to such Participant District in addition to the Master District’s other remedies pursuant to the Master District Contract. Under certain conditions the Master District may, with the consent of all Participant Districts, extend the Master District service area and provide services to other parties who will become Participant Districts and agree to assume their pro rata share of the bonded indebtedness of the Master District facilities in the same manner as the existing Participant Districts. In addition, the Master District may, with the consent of all Participant Districts, provide services to others as long as the providing of such services does not impair the right of a Participant District to receive service from the Master District.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

9. FINANCING AND OPERATION OF REGIONAL FACILITIES (continued) –

Transaction Summary – Master District Operations & Maintenance

Transactions for the year ended September 30, 2023, are summarized as follows:

	Receivable/ (Payable) Balance, 10/1/2022	Current Fiscal Year		Receivable/ (Payable) Balance, 9/30/2023
		Billings	Payments	
Travis County MUD No. 2	\$ 161,630	\$ 1,517,441	\$ (1,451,582)	\$ 227,489
Cottonwood Creek MUD No. 1	105,079	1,706,574	(1,571,069)	240,584
The District	103,340	1,678,962	(1,540,797)	241,505
Wilbarger Creek MUD No. 2	(162,126)	71,663	(71,042)	(161,505)
	<u>\$ 207,923</u>	<u>\$ 4,974,640</u>	<u>\$ (4,634,490)</u>	<u>\$ 548,073</u>

Transaction Summary – Master District Debt Service

Transactions for the year ended September 30, 2023, are summarized as follows:

	Receivable/ (Payable) Balance, 10/1/2022	Current Fiscal Year		Receivable/ (Payable) Balance, 9/30/2023
		Billings	Payments	
Travis County MUD No. 2	\$ 142	\$ 1,578,555	\$ (1,580,183)	\$ (1,486)
Cottonwood Creek MUD No. 1	13,020	1,581,985	(1,601,294)	(6,289)
The District	(216)	714,356	(711,600)	2,540
Wilbarger Creek MUD No. 2	(5,100)	9,600	(5,900)	(1,400)
	<u>\$ 7,846</u>	<u>\$ 3,884,496</u>	<u>\$ (3,898,977)</u>	<u>\$ (6,635)</u>

10. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality, or from operations. As of September 30, 2023, the District has issued \$12,930,000 of unlimited tax bonds.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

11. RISK MANAGEMENT

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has obtained coverage from commercial insurance companies and the Texas Municipal League Intergovernmental Risk Pool (the "TML Pool") to effectively manage its risk. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established Claims Reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

12. DEFICIT IN NET POSITION

Net investment in capital assets had a deficit balance of \$3,036,482 at September 30, 2023. This primarily represents bonds outstanding exceeding capital assets net of depreciation.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
SEPTEMBER 30, 2023**

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 589,172	\$ 577,333	\$ 11,839
Service accounts	1,728,842	1,237,279	491,563
Connection/inspection fees	158,960	5,700	153,260
Interest	141,593	21,000	120,593
TOTAL REVENUES	<u>2,618,567</u>	<u>1,841,312</u>	<u>777,255</u>
EXPENDITURES:			
Current:			
Garbage expenditures	192,276	170,167	(22,109)
Repairs/maintenance	111,522	79,250	(32,272)
Operations/management fee	140,900	134,046	(6,854)
Inspection/review fees	26,902	75,000	48,098
Director fees, including payroll taxes	5,056	5,705	649
Legal fees	44,756	51,600	6,844
Engineering fees	16,267	30,000	13,733
Audit fees	13,500	13,250	(250)
Bookkeeping fees	27,350	26,850	(500)
Financial advisor fees	716	904	188
Other consulting fees	4,550	2,500	(2,050)
Tax appraisal/collection	3,337	3,000	(337)
Insurance	6,097	6,000	(97)
Bank fees	39,958	36,000	(3,958)
Other	5,724	5,350	(374)
TOTAL EXPENDITURES	<u>638,911</u>	<u>639,622</u>	<u>711</u>
Excess of revenues over expenditures	<u>1,979,656</u>	<u>1,201,690</u>	<u>777,966</u>
OTHER FINANCING USES:			
Operating transfer	<u>(1,678,962)</u>	<u>(1,297,080)</u>	<u>(381,882)</u>
TOTAL OTHER FINANCING USES	<u>(1,678,962)</u>	<u>(1,297,080)</u>	<u>(381,882)</u>
CHANGE IN FUND BALANCE	300,694	<u>\$ (95,390)</u>	<u>\$ 396,084</u>
Beginning of the year	<u>2,858,571</u>		
End of the year	<u>\$ 3,159,265</u>		

TEXAS SUPPLEMENTARY INFORMATION

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2023**

1. Services Provided by the District during the Fiscal Year:

<input checked="" type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input checked="" type="checkbox"/> Drainage
<input checked="" type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input checked="" type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input type="checkbox"/> Roads
<input checked="" type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input type="checkbox"/> Other (specify): _____		

2. Retail Service Providers

a. Retail Rates Based on 5/8" Meter (or equivalent):

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
WATER:	\$ 42.00	N/A	N	\$ 7.85	0 to 15,000 gallons
				\$ 9.40	over 15,000 gallons
WASTEWATER:	\$ -	N/A	N	\$ 7.50	per 1,000 gallons
SURCHARGE:	\$ -	-	-	\$ -	

District employs winter averaging for wastewater usage? Yes ☒ No ☐

Total charges per 10,000 gallons usage: Water \$ 120.50 Wastewater \$ 75.00

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	-	-	1.0	-
< 3/4"	1,047	1,047	1.0	1,047
1"	7	7	2.5	18
1 1/2"	-	-	5.0	-
2"	8	8	8.0	64
3"	-	-	15.0	-
4"	-	-	25.0	-
6"	-	-	50.0	-
8"	1	1	80.0	80
10"	-	-	115.0	-
Total Water	1,063	1,063		1,209
Total Wastewater	1,063	1,063	1.0	1,063

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2023**

3. Total Water Consumption during the Fiscal Year (rounded to the nearest thousand):

Gallons pumped into system: _____⁽¹⁾

Gallons billed to customers: _____ 83,985,000

Water Accountability Ratio

(Gallons billed / Gallons Pumped)
N/A

4. Standby Fees (authorized only under TWC Section 49.231):

Does the District assess standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

Does the District have Operation and Maintenance standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: _____ Travis

Is the District located entirely within one county? Yes ☒ No ☐

Is the District located within a city? Entirely ☐ Partly ☐ Not at all ☒

City(ies) in which district is located: _____ N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: _____ City of Manor

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

⁽¹⁾ District services provided by Wilbarger Creek M.U.D. No. 2 (Master District).

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2023**

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	13,500
Legal	44,756
Engineering	16,267
Financial Advisor	716
Purchased Services For Resale:	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	27,350
General Manager	140,900
Appraisal District	2,565
Tax Collector	772
Other Contracted Services	31,452
Utilities	-
Repairs and Maintenance	111,522
Administrative Expenditures:	
Directors' Fees	5,056
Office Supplies	-
Insurance	6,097
Other Administrative Expenditures	45,682
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	
Tap Connection Expenditures	-
Solid Waste Disposal	192,276
Fire Fighting	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	\$ 638,911

Number of persons employed by the District:

☐ Full-Time

☐ Part-Time

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2023**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
State Investment Pool	XXXXXX0001	Varies	N/A	\$ 3,308,894	\$ -
Total - General Fund				3,308,894	-
Special Revenue Fund:					
State Investment Pool	XXXXXX0002	Varies	N/A	2,888	-
Total - Special Revenue Fund				2,888	-
Debt Service Fund:					
State Investment Pool	XXXXXX0003	Varies	N/A	298,068	-
State Investment Pool	XXXXXX0010	Varies	N/A	173,380	-
Total - Debt Service Fund				471,448	-
Capital Projects Fund:					
State Investment Pool	XXXXXX0005	Varies	N/A	2,147	-
State Investment Pool	XXXXXX0007	Varies	N/A	190,397	-
State Investment Pool	XXXXXX0009	Varies	N/A	20,310	-
State Investment Pool	XXXXXX0011	Varies	N/A	5,767	-
Total - Capital Projects Fund				218,621	-
Total - All Funds				\$ 4,001,851	\$ -

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2023**

	Maintenance Taxes	Contract Taxes	Debt Service Taxes
Taxes Receivable, Beginning of Year:	\$ 6,048	\$ 6,780	\$ 3,985
2022 Original Tax Levy, net of adjustments	596,208	712,193	339,818
Total to be accounted for	<u>602,256</u>	<u>718,973</u>	<u>343,803</u>
Tax collections:			
Prior years	4,272	4,857	2,897
Current year	591,081	706,069	336,896
Total collections	<u>595,353</u>	<u>710,926</u>	<u>339,793</u>
Taxes Receivable, End of Year	<u>\$ 6,903</u>	<u>\$ 8,047</u>	<u>\$ 4,010</u>
Taxes Receivable, By Years:			
2021 and before	1,776	1,923	1,088
2022	<u>5,127</u>	<u>6,124</u>	<u>2,922</u>
Taxes Receivable, End of Year	<u>\$ 6,903</u>	<u>\$ 8,047</u>	<u>\$ 4,010</u>
	<u>2022</u> (a)	<u>2021</u> (a)	<u>2020</u> (a)
Property Valuations:			
Land and improvements	<u>\$ 199,995,459</u>	<u>\$ 155,435,366</u>	<u>\$ 116,172,869</u>
Total Property Valuations	<u>\$ 199,995,459</u>	<u>\$ 155,435,366</u>	<u>\$ 116,172,869</u>
Tax Rates per \$100 Valuation:			
Contract tax rates	\$ 0.3500	\$ 0.3500	\$ 0.3500
Debt Service tax rates	0.1670	0.1545	0.2830
Maintenance tax rates	<u>0.2930</u>	<u>0.3510</u>	<u>0.2450</u>
Total Tax Rates per \$100 Valuation	<u>\$ 0.8100</u>	<u>\$ 0.8555</u>	<u>\$ 0.8780</u>
Original Tax Levy	<u>\$ 1,619,963</u>	<u>\$ 1,329,750</u>	<u>\$ 1,019,998</u>
Percent of Taxes Collected to Taxes Levied **	<u>99.1%</u>	<u>99.9%</u>	<u>99.9%</u>
Maximum Maintenance Tax Rate Approved by Voters:	<u>\$ 1.50 on 5/7/2005</u>		

**Calculated as taxes collected in current and previous years divided by tax levy.

(a) Valuations are provided by the appropriate Appraisal District. Due to various factors including tax protests and disputes, such valuations change over time; therefore, they may vary slightly from those disclosed in the District's bond offering documents or the District's annual bond disclosure filings.

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2023**

Fiscal Year Ending	Unlimited Tax Bonds Series 2018			Unlimited Tax Bonds Series 2020			Unlimited Tax Bonds Series 2021			Unlimited Tax Bonds Series 2022			Annual Requirements for All Series		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due	Interest Due	Total
2024	\$ 95,000	\$ 98,544	\$ 193,544	\$ 30,000	\$ 60,700	\$ 90,700	\$ 5,000	\$ 91,850	\$ 96,850	\$ 25,000	\$ 220,375	\$ 245,375	\$ 155,000	\$ 471,469	\$ 626,469
2025	100,000	95,694	195,694	30,000	59,425	89,425	5,000	91,650	96,650	25,000	218,875	243,875	160,000	465,644	625,644
2026	105,000	92,694	197,694	35,000	58,150	93,150	145,000	91,450	236,450	115,000	217,375	332,375	400,000	459,669	859,669
2027	110,000	89,412	199,412	70,000	56,662	126,662	115,000	85,650	200,650	120,000	209,900	329,900	415,000	441,624	856,624
2028	115,000	85,837	200,837	70,000	53,688	123,688	120,000	81,050	201,050	125,000	202,100	327,100	430,000	422,675	852,675
2029	120,000	81,956	201,956	70,000	50,712	120,712	125,000	76,250	201,250	130,000	193,975	323,975	445,000	402,893	847,893
2030	125,000	77,756	202,756	75,000	48,438	123,438	125,000	71,250	196,250	140,000	186,175	326,175	465,000	383,619	848,619
2031	125,000	73,381	198,381	80,000	46,750	126,750	130,000	66,250	196,250	145,000	179,875	324,875	480,000	366,256	846,256
2032	130,000	68,850	198,850	80,000	44,950	124,950	135,000	62,350	197,350	150,000	173,350	323,350	495,000	349,500	844,500
2033	135,000	64,137	199,137	85,000	43,150	128,150	135,000	58,300	193,300	160,000	166,600	326,600	515,000	332,187	847,187
2034	145,000	59,075	204,075	85,000	41,132	126,132	135,000	54,250	189,250	165,000	159,400	324,400	530,000	313,857	843,857
2035	150,000	53,637	203,637	90,000	39,112	129,112	140,000	50,200	190,200	170,000	151,150	321,150	550,000	294,099	844,099
2036	155,000	48,012	203,012	90,000	36,975	126,975	145,000	46,000	191,000	180,000	142,650	322,650	570,000	273,637	843,637
2037	160,000	42,200	202,200	95,000	34,725	129,725	145,000	41,650	186,650	185,000	133,650	318,650	585,000	252,225	837,225
2038	165,000	36,200	201,200	100,000	32,350	132,350	150,000	37,300	187,300	195,000	124,400	319,400	610,000	230,250	840,250
2039	175,000	29,600	204,600	100,000	29,850	129,850	155,000	32,800	187,800	200,000	115,138	315,138	630,000	207,388	837,388
2040	180,000	22,600	202,600	110,000	27,225	137,225	155,000	28,150	183,150	205,000	105,638	310,638	650,000	183,613	833,613
2041	190,000	15,400	205,400	110,000	24,338	134,338	160,000	23,500	183,500	215,000	95,900	310,900	675,000	159,138	834,138
2042	195,000	7,800	202,800	115,000	21,312	136,312	165,000	20,300	185,300	225,000	85,686	310,686	700,000	135,098	835,098
2043	-	-	-	325,000	18,150	343,150	165,000	17,000	182,000	230,000	75,000	305,000	720,000	110,150	830,150
2044	-	-	-	335,000	9,212	344,212	170,000	13,700	183,700	235,000	63,500	298,500	740,000	86,412	826,412
2045	-	-	-	-	-	-	515,000	10,300	525,300	250,000	51,750	301,750	765,000	62,050	827,050
2046	-	-	-	-	-	-	-	-	-	785,000	39,250	824,250	785,000	39,250	824,250
	\$ 2,675,000	\$ 1,142,785	\$ 3,817,785	\$ 2,180,000	\$ 837,006	\$ 3,017,006	\$ 3,240,000	\$ 1,151,200	\$ 4,391,200	\$ 4,375,000	\$ 3,311,712	\$ 7,686,712	\$ 12,470,000	\$ 6,442,703	\$ 18,912,703

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2023**

	<u>Bond Issues SR2018</u>	<u>Bond Issues SR2020</u>	<u>Bond Issues SR2021</u>	<u>Bond Issues SR2022</u>	<u>Bond Issues Total</u>
Interest Rate	3.00% - 4.00%	2.25% - 4.25%	2.00% - 4.00%	4.50% - 6.50%	
Dates Interest Payable	3/1,9/1	3/1,9/1	3/1,9/1	3/1,9/1	
Maturity Dates	9/1/2042	9/1/2044	9/1/2045	9/1/2046	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ 2,770,000	\$ 2,205,000	\$ 3,245,000	\$ -	\$ 8,220,000
Bonds Sold During the Current Fiscal Year	-	-	-	4,400,000	4,400,000
Refunded During the Current Fiscal Year	-	-	-	-	-
Retirements During the Current Fiscal Year- Principal	(95,000)	(25,000)	(5,000)	(25,000)	(150,000)
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 2,675,000</u>	<u>\$ 2,180,000</u>	<u>\$ 3,240,000</u>	<u>\$ 4,375,000</u>	<u>\$ 12,470,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 101,394</u>	<u>\$ 61,762</u>	<u>\$ 92,050</u>	<u>\$ 175,035</u>	<u>\$ 430,241</u>
Paying Agent's Name and Address:	<u>UMB Bank Austin, TX</u>	<u>UMB Bank Austin, TX</u>	<u>UMB Bank Austin, TX</u>	<u>UMB Bank Austin, TX</u>	
Bond Authority:		<u>Tax Bonds*</u>	<u>Park & Recreation</u>	<u>Refunding Bonds</u>	
Amount Authorized by Voters		\$ 29,900,000	\$ 4,985,000	\$ 52,327,500	
Amount Issued		<u>12,930,000</u>	<u>-</u>	<u>-</u>	
Remaining To Be Issued		<u>\$ 16,970,000</u>	<u>\$ 4,985,000</u>	<u>\$ 52,327,500</u>	
* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.					
Debt Service Fund Cash and Temporary Investments balances as of September 30, 2023:				<u>\$ 471,448</u>	
Average Annual Debt Service Payment (Principal and Interest) for the remaining term of all debt:				<u>\$ 822,291</u>	

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
SEPTEMBER 30, 2023**

	Amounts				
	2023	2022	2021	2020	2019
GENERAL FUND REVENUES:					
Property taxes, including penalties	\$ 589,172	\$ 545,733	\$ 282,411	\$ 222,257	\$ 111,802
Service revenues	1,728,842	1,175,914	1,015,061	789,375	402,756
Tap connection / inspection fees	158,960	544,975	39,474	250,060	255,550
Interest and other	141,593	19,610	973	11,728	28,343
TOTAL GENERAL FUND REVENUES AND OTHER FINANCING SOURCES	2,618,567	2,286,232	1,337,919	1,273,420	798,451
GENERAL FUND EXPENDITURES:					
Current:					
Garbage expenditures	192,276	137,462	113,199	76,871	47,178
Repairs/maintenance	111,522	43,939	90,686	25,878	30,798
Operations/management fee	140,900	115,012	77,898	69,644	51,101
Inspection/review fees	26,902	69,012	18,121	28,716	28,921
Director fees, including payroll taxes	5,056	4,683	5,006	6,943	3,875
Legal fees	44,756	45,672	41,077	46,464	43,998
Engineering fees	16,267	28,504	18,387	15,520	15,876
Audit fees	13,500	12,750	12,250	11,750	11,250
Bookkeeping fees	27,350	26,850	23,850	24,200	21,450
Financial advisor fees	716	812	564	711	472
Other consulting fees	4,550	3,600	-	-	10,759
Tax appraisal/collection	3,337	2,714	1,394	1,249	576
Insurance	6,097	5,721	5,041	4,808	4,800
Bank fees	39,958	34,100	21,389	13,234	7,371
Public notice	-	-	3,527	3,527	3,527
Other	5,724	4,416	2,656	4,605	4,422
TOTAL GENERAL FUND EXPENDITURES	638,911	535,247	435,045	334,120	286,374
EXCESS / (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,979,656	1,750,985	902,874	939,300	512,077
OTHER FINANCING SOURCES / (USES)					
Operating transfer	(1,678,962)	(739,528)	(917,120)	(595,011)	(143,506)
TOTAL OTHER FINANCING SOURCES / (USES)	(1,678,962)	(739,528)	(917,120)	(595,011)	(143,506)
NET CHANGE IN FUND BALANCE	\$ 300,694	\$ 1,011,457	\$ (14,246)	\$ 344,289	\$ 368,571
DEBT SERVICE FUND REVENUES:					
Property taxes, including penalties	\$ 336,520	\$ 241,759	\$ 325,402	\$ 99,161	\$ 98,540
Interest	32,550	3,366	126	2,474	5,604
Bond proceeds, net	360,800	179,202	-	129,836	-
TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES	729,870	424,327	325,528	231,471	104,144
DEBT SERVICE FUND EXPENDITURES:					
Tax appraisal/collection	1,903	1,195	1,610	558	553
Financial advisor fees	408	358	651	318	454
Bond principal	150,000	120,000	105,000	85,000	-
Bond interest	430,241	235,850	170,319	145,453	109,194
Fiscal agent fees and other	2,200	800	800	400	400
TOTAL DEBT SERVICE FUND EXPENDITURES AND OTHER FINANCING USES	584,752	358,203	278,380	231,729	110,601
NET CHANGE IN FUND BALANCE	\$ 145,118	\$ 66,124	\$ 47,148	\$ (258)	\$ (6,457)
TOTAL ACTIVE RETAIL WATER CONNECTIONS	1,063	1,010	609	591	297
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	1,063	994	594	563	291

Percent of Fund Total Revenues				
2023	2022	2021	2020	2019
22.5%	23.9%	21.0%	17.5%	14.1%
66.0%	51.4%	75.9%	62.0%	50.4%
6.1%	23.8%	3.0%	19.6%	32.0%
5.4%	0.9%	0.1%	0.9%	3.5%
100.0%	100.0%	100.0%	100.0%	100.0%
7.3%	6.0%	8.5%	6.0%	5.9%
4.3%	1.9%	6.8%	2.0%	3.9%
5.4%	5.0%	5.8%	5.5%	6.4%
1.0%	3.0%	1.4%	2.3%	3.6%
0.2%	0.2%	0.4%	0.6%	0.6%
1.7%	2.0%	3.1%	3.7%	5.6%
0.6%	1.2%	1.4%	1.2%	2.0%
0.5%	0.6%	0.9%	0.9%	1.4%
1.0%	1.2%	1.8%	1.9%	2.7%
-	-	-	0.1%	0.1%
0.2%	0.2%	-	-	1.3%
0.1%	0.1%	0.1%	0.1%	0.1%
0.2%	0.3%	0.4%	0.4%	0.6%
1.5%	1.5%	1.6%	1.0%	0.9%
-	-	0.3%	0.3%	0.4%
0.2%	0.2%	0.2%	0.4%	0.6%
24.2%	23.4%	32.7%	26.4%	36.1%
75.8%	76.6%	67.3%	73.6%	63.9%
(64.1)%	(32.3)%	(68.5)%	(46.7)%	(18.0)%
(64.1)%	(32.3)%	(68.5)%	(46.7)%	(18.0)%
11.7%	44.3%	-1.2%	26.9%	45.9%
46.0%	56.9%	99.9%	42.8%	94.6%
4.6%	0.9%	0.1%	1.1%	5.4%
49.4%	42.2%	-	56.1%	-
100.0%	100.0%	100.0%	100.0%	100.0%
0.3%	0.4%	0.5%	0.3%	0.5%
0.1%	0.1%	0.2%	0.1%	0.4%
20.6%	28.3%	32.3%	36.7%	-
58.9%	55.6%	52.3%	62.8%	104.8%
0.3%	0.1%	0.2%	0.2%	0.4%
80.2%	84.5%	85.5%	100.1%	106.1%
19.8%	15.5%	14.5%	(0.1)%	(6.1)%

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2023**

Complete District Mailing Address: 100 Congress Ave., Ste 1300, Austin, TX 78701

District Business Telephone Number: (512) 435-2300

**Submission Date of the most recent District
Registration Form (TWC Sections 36.054 and 49.054):** December 1, 2022

**Limits on Fees of Office that a Director may receive
during a fiscal year: (Set by Board Resolution
TWC Section 49.060)** \$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 09/30/23	Expense Reimbursements 09/30/23	Title at Year End
<u>Board Members:</u>				
Bill Kochwelp	(Elected) 11/8/2022 - 11/3/2026	\$ 742	\$ -	President
Tim Dalton	(Elected) 11/8/2022 - 11/3/2026	\$ 1,042	\$ 169	Vice-President
Scott Sams	(Elected) 11/8/2022 - 11/3/2026	\$ 971	\$ -	Secretary
Diana Zuniga	(Elected) 11/3/2020 - 11/5/2024	\$ 671	\$ -	Asst. Secretary
Brandon Somers	(Elected) 11/3/2020 - 11/5/2024	\$ 1,271	\$ 1,909	Asst. Secretary
<u>Consultants:</u>				
Crossroads Utility Services, LLC	10/7/2010	\$ 269,789	\$ -	Operator
Armbrust & Brown, PLLC	11/22/2002	\$ 46,297	\$ -	Attorney
		\$ 66,226	\$ -	Bond Services
Schroeder Engineering Co.	11/22/2002	\$ 20,116	\$ -	Engineer
		\$ 6,019	\$ -	Bond Services
Bott & Douthitt, PLLC	7/1/2010	\$ 27,350	\$ 766	District Accountant
Public Finance Group LLC	4/3/2014	\$ 1,980	\$ -	Financial Advisor
		\$ 91,591	\$ -	Bond Services
McCall Gibson Swedlund Barfoot PLLC	8/06/2009	\$ 13,500	\$ -	Auditor
		\$ 14,000	\$ -	Bond Services
McCall, Parkhurst & Horton LLP	11/22/2002	\$ 66,674	\$ -	Bond Counsel
Travis County Tax Collector	9/09/2003	\$ 2,134	\$ -	Tax Collector

* Fees of Office are the amounts actually paid to a director during the District's fiscal year.

OTHER SUPPLEMENTARY INFORMATION

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
OSI-1. PRINCIPAL TAXPAYERS
SEPTEMBER 30, 2023**

Taxpayer	Type of Property	Tax Roll Year		
		2023	2022	2021
Shadowglen DST	Real Land & Improvements	\$ 45,000,000	\$ 41,700,000	\$ -
Dwyer Peter A	Real Land & Improvements	4,100,000	3,872,924	-
Meritage Homes of Texas LLC	Real Land & Improvements	2,927,421	6,587,641	1,394,467
LGI Homes-Texas LLC	Real Land & Improvements	2,196,463	990,000	-
IZ & L Investment LLC	Real Land & Improvements	1,965,682	1,552,807	1,392,033
Dwyer Peter A	Real Land & Improvements	902,048	-	-
16 Tournament LLC	Real Land & Improvements	860,000	957,346	596,571
WM White Moon LLC	Real Land & Improvements	856,165	-	581,023
AMH 2014-2 Borrower LLC	Real Land & Improvements	797,998	-	482,400
LGI Homes-Texas LLC	Real Land & Improvements	726,000	-	-
Perry Homes LLC	Real Land & Improvements	-	1,410,000	-
Gehan Homes Ltd.	Real Land & Improvements	-	1,296,300	-
SG Land Holdings LLC	Real Land & Improvements	-	1,189,679	1,222,438
Meritage Homes of Texas LP	Real Land & Improvements	-	1,140,000	-
Flats at Shadowglen CHL I LLC	Real Land & Improvements	-	-	35,800,000
Shadowglen Development	Real Land & Improvements	-	-	3,342,200
Cottonwood Holdings Ltd.	Real Land & Improvements	-	-	412,777
Brookhurst Aviation LLC Series R	Real Land & Improvements	-	-	322,378
Total		\$ 60,331,777	\$ 60,696,697	\$ 45,546,287
Percent of Assessed Valuation		17.0%	30.3%	29.3%

**WILBARGER CREEK
MUNICIPAL UTILITY DISTRICT NO. 1
OSI-2. ASSESSED VALUE BY CLASSIFICATION
SEPTEMBER 30, 2023**

Type of Property	Tax Roll Year					
	2023		2022		2021	
	Amount	%	Amount	%	Amount	%
Single Family Residence	\$ 301,119,542	85.1%	\$ 180,316,250	90.1%	\$ 113,471,603	73.0%
Multifamily Residence	45,000,000	12.7%	41,700,000	20.9%	35,800,000	23.0%
Vacant Lot	2,184,604	0.6%	6,212,509	3.1%	307,770	0.2%
Improvement on Qualified Land - Open Space	754,656	0.2%	754,656	0.4%	2,750,436	1.8%
Commercial Real Property	6,228,402	1.8%	5,588,451	2.8%	4,664,115	3.0%
Commercial Personal Property	1,262,432	0.4%	655,876	0.3%	512,575	0.3%
Industrial and Manufacturing	121,127	-	253,827	0.1%	230,752	0.1%
Residential Inventory	36,609,268	10.3%	8,487,541	4.2%	1,027,102	0.7%
Totally Exempt Property	23,523,931	6.6%	17,755,826	8.9%	17,934,447	11.5%
Less: Adjustments	(62,556,077)	(17.7)%	(61,729,477)	(30.8)%	(21,263,434)	(13.6)%
Total Taxable	<u>\$ 354,247,885</u>	<u>100.0%</u>	<u>\$ 199,995,459</u>	<u>100.0%</u>	<u>\$ 155,435,366</u>	<u>100.0%</u>

APPENDIX B
Form of Bond Counsel Opinion

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

**WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BONDS, SERIES 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,250,000**

AS BOND COUNSEL FOR WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1 (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on March 7, 2024 authorizing the issuance of the Bonds (the "Order").

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

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



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

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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



procedures the Service is likely to treat the District as the taxpayer. We observe that the District has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

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

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

Respectfully,

APPENDIX C
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:

200 Liberty Street, 27th floor
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

