

OFFICIAL STATEMENT DATED JANUARY 13, 2025

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND THE OPINION OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, COURT DECISIONS, AND PUBLISHED RULINGS 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” FOR FINANCIAL INSTITUTIONS.

**Rating: S&P “AA” (Stable Outlook)/Insured
Moody’s “Baa1”/Uninsured
Insurance: BAM**

NEW ISSUE – Book Entry Only

\$8,000,000

TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 18

(A political subdivision of the State of Texas located within Travis County, Texas)

WATER SYSTEM REVENUE BONDS, SERIES 2025

Dated: February 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery (defined below)

Principal of the above described bonds (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will accrue from the initial date of delivery (expected on February 11, 2025) (the “Date of Delivery”), and be payable on September 1, 2025 and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown below.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by the Paying Agent/Registrar directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “BOOK-ENTRY-ONLY SYSTEM.”



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

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

| Due Sept. 1 | Principal Amount | Interest Rate | Initial Reoffering Yield ^(a) | CUSIP Number ^(b) | Due Sept. 1 | Principal Amount | Interest Rate | Initial Reoffering Yield ^(a) | CUSIP Number ^(b) |
|----------------|------------------------|------------------|---|--------------------------------|----------------|---------------------------|------------------|---|--------------------------------|
| 2026 | \$ 185,000 | 6.500% | 3.400% | 89452RAA4 | 2038 | \$ 325,000 ^(c) | 4.000% | 4.160% | 89452RAN6 |
| 2027 | 195,000 | 6.500% | 3.450% | 89452RAB2 | 2039 | 340,000 ^(c) | 4.000% | 4.220% | 89452RAP1 |
| 2028 | 205,000 | 6.500% | 3.500% | 89452RAC0 | 2040 | 355,000 ^(c) | 4.125% | 4.270% | 89452RAQ9 |
| 2029 | 215,000 | 6.500% | 3.550% | 89452RAD8 | 2041 | 370,000 ^(c) | 4.125% | 4.320% | 89452RAR7 |
| 2030 | 225,000 | 6.500% | 3.600% | 89452RAE6 | 2042 | 390,000 ^(c) | 4.250% | 4.370% | 89452RAS5 |
| 2031 | 235,000 ^(c) | 4.000% | 3.650% | 89452RAF3 | 2043 | 410,000 ^(c) | 4.250% | 4.420% | 89452RAT3 |
| 2032 | 245,000 ^(c) | 4.000% | 3.700% | 89452RAG1 | 2044 | 430,000 ^(c) | 4.250% | 4.470% | 89452RAU0 |
| 2033 | 255,000 ^(c) | 4.000% | 3.750% | 89452RAH9 | 2045 | 450,000 ^(c) | 4.250% | 4.510% | 89452RAV8 |
| 2034 | 270,000 ^(c) | 4.000% | 3.800% | 89452RAJ5 | 2046 | 470,000 ^(c) | 4.250% | 4.540% | 89452RAW6 |
| 2035 | 280,000 ^(c) | 4.000% | 3.900% | 89452RAK2 | 2047 | 490,000 ^(c) | 4.250% | 4.560% | 89452RAX4 |
| 2036 | 295,000 ^(c) | 4.000% | 4.000% | 89452RAL0 | 2048 | 515,000 ^(c) | 4.250% | 4.580% | 89452RAY2 |
| 2037 | 310,000 ^(c) | 4.000% | 4.080% | 89452RAM8 | 2049 | 540,000 ^(c) | 4.250% | 4.600% | 89452RAZ9 |

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchaser for offers to the public and which may be subsequently changed by the Initial Purchaser and is the sole responsibility of the Initial Purchaser. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Bonds. The CUSIP number for a specific maturity is subject to being changed after the execution and delivery of the Bonds as a result of various subsequent actions, including but not limited to, a refunding in whole or in part of such maturity, or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Bonds. None of the District, the Financial Advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
- (c) The Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time, in part, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption Provisions.”

The Bonds, when issued, will constitute valid and legally binding obligations of Travis County Water Control and Improvement District No. 18 (the “District”) and will be payable from a lien on and pledge of the Net Revenues (as defined herein) of the District’s water system (hereinafter referred to as the “System”). The Bonds are obligations solely of the District and are not obligations of the State of Texas, Travis County, Texas, the City of Austin, Texas or any entity other than the District. The Bonds are subject to special investment considerations described herein. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McLean & Howard, L.L.P., Bond Counsel, and McCall, Parkhurst & Horton L.L.P., Special Tax Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on February 11, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

No dealer, broker, salesman or other person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representation must not be relied upon as having been authorized by the District.

This Official Statement is not to be used in an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, resolutions, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from McLean & Howard, L.L.P., 4301 Bull Creek Road, Suite 150, Austin, Texas 78731, upon payment of duplication costs.

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

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader’s convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12.

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.

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The Issuer.....Travis County Water Control and Improvement District No. 18 (the “District”), a political subdivision of the State of Texas, is located in Travis County, Texas. See “THE DISTRICT.”

The Issue.....The District’s \$8,000,000 Water System Revenue Bonds, Series 2025 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors authorizing the issuance of the Bonds. The Bonds will be issued as fully registered bonds maturing in the years and in the amounts shown on the cover hereof. Interest on the Bonds accrues from the Date of Delivery (expected on February 11, 2025), at the rates shown on the cover hereof, and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

Redemption.....The Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or, from time to time, in part, at the option of the District, prior to their maturity dates, on September 1, 2030, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.”

Security for the BondsThe Bonds are payable from a lien on and pledge of the Net Revenues (as defined herein) of the District’s water system (hereinafter referred to as the “System”). The Bonds are obligations of the District and are not obligations of the State of Texas, Travis County, Texas, the City of Austin, Texas, or any other political subdivision or agency other than the District. See “THE BONDS – Source of and Security for Payment” and “SECURITY FOR THE BONDS.”

Authority for IssuanceThe Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution; the general laws of the State of Texas, including Chapters 49 and 51 of the Texas Water Code, as amended; an order of the TCEQ (defined herein); and the Bond Resolution. See “THE BONDS – Authority for Issuance.”

Use of Proceeds.....Proceeds from the sale of the Bonds will be used for the construction costs shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used to pay certain costs associated with the issuance of the Bonds.

Payment RecordThe District has previously issued six series of waterworks system combination unlimited tax and revenue bonds and one series of waterworks system combination unlimited tax and revenue refunding bonds, none of which are outstanding. The District has never defaulted on the payment of principal or interest on its previously issued bonds.

Qualified Tax-Exempt

ObligationsThe District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2025 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”

Municipal Bond Rating

and InsuranceThe Bonds are expected to be rated “AA”/(Stable Outlook) by S&P Global Ratings (“S&P”), a business unit of Standard and Poor’s Financial Services LLC, by virtue of a municipal bond insurance policy issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying, uninsured rating to the District of “Baa1.”

Bond CounselMcLean & Howard, L.L.P., Austin, Texas.

Special Tax CounselMcCall, Parkhurst & Horton L.L.P., Dallas, Texas.

Financial AdvisorSpecialized Public Finance Inc., Austin, Texas.

Disclosure CounselMcCall, Parkhurst & Horton L.L.P., Austin, Texas.

EngineerBurgess & Niple Engineering, Inc., Austin, Texas.

Paying Agent/RegistrarBOKF, NA, Dallas, Texas.

Investment ConsiderationsThe purchase and ownership of the Bonds are subject to special investment considerations, and all prospective purchasers are urged to examine carefully the entire Official Statement for a discussion of investment risks, including particularly the section captioned “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

DescriptionThe District was created by order of the Commissioners Court of Travis County, Texas dated February 9, 1959. The District contains approximately 1,369 acres of land and is located in western Travis County, Texas (the “County”) approximately ten miles northwest of the central business district of the City of Austin, Texas (the “City”). The District lies partially within the corporate limits and partially within the extraterritorial jurisdiction of the City.

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OFFICIAL STATEMENT

\$8,000,000

TRAVIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 18

(A political subdivision of the State of Texas located within Travis County, Texas)

WATER SYSTEM REVENUE BONDS

SERIES 2025

This Official Statement provides certain information in connection with the issuance by Travis County Water Control and Improvement District No. 18 (the “District”) of its \$8,000,000 Water System Revenue Bonds, Series 2025 (the “Bonds”).

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 51, Texas Water Code, as amended, a resolution authorizing the issuance of the Bonds (the “Bond Resolution”) adopted by the Board of Directors of the District (the “Board”), and an order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”).

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from the District upon payment of the costs of duplication therefore.

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

THE BONDS

General

Following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Resolution of the Board. The Bond Resolution authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds will be dated February 1, 2025 and will accrue interest from the Date of Delivery (expected on February 11, 2025), at the rates shown on the cover hereof, and interest is payable on each March 1 and September 1 commencing September 1, 2025, until the earlier of maturity or prior redemption. The Bonds mature on September 1 in the amounts and years shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised 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.

Authority for Issuance

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

Source of and Security for Payment

The Bonds are payable as to the principal and interest from a lien on and pledge of the Net Revenues (as defined herein) of the District's water system (hereinafter referred to as the "System"). While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the Bond Resolution to establish and maintain rates and charges for facilities and services afforded by the System sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. See "SECURITY FOR THE BONDS."

The Bonds are obligations of the District and are not obligations of the State of Texas, Travis County, Texas (the "County"), the City of Austin, Texas (the "City"), or any other political subdivision or agency other than the District.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates now known or reasonably expected to be in existence on the date the Bonds are delivered and paid for, the District reasonably expects that the proceeds of the Bonds will not be used in a manner that would cause the Bonds, or any portion of the Bonds, to be "arbitrage bonds" under the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder. Furthermore, all officers, employees, and agents of the District have been authorized and directed to provide certifications of facts and estimates that are material to the reasonable expectations of the District as of the date the Bonds are delivered and paid for. In particular, all or any officers of the District are authorized to certify to the facts and circumstances and reasonable expectations of the District on the date the Bonds are delivered and paid for regarding the amount and use of the proceeds of the Bonds. Moreover, the District covenants in the Bond Resolution that it shall make such use of the proceeds of the Bonds, regulate investment of proceeds of the Bonds, and take such other and further actions and follow such procedures, including, without limitation, calculating the yield on the Bonds, as may be required so that the Bonds shall not become "arbitrage bonds" under the Code and the regulations prescribed from time to time thereunder.

Record Date

The record date for determining to whom is owed payment of the interest on any regularly scheduled interest payment date is defined as the 15th day of the month (whether or not a business day) preceding such interest payment date.

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on and after September 1, 2031, prior to their scheduled maturities, in whole or from time to time in part, in integral multiples of \$5,000, on September 1, 2030, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If fewer than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar (hereinafter defined) by lot or other customary method of random selection (or by DTC (hereinafter defined) in accordance with its procedures while the Bonds are in book-entry-only form).

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if fewer than all the Bonds outstanding within any one maturity are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest that would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Registration and Transfer

BOKF, NA, Dallas, Texas is the initial paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) for the Bonds. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding.

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Resolution for replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, the new paying agent/registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a national or state banking institution, a corporation organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise trust powers, and subject to supervision or examination by federal or state authority, to act as Paying Agent/Registrar for the Bonds.

Annexation and Consolidation

Under existing Texas law, since the District lies partially within the corporate boundaries and partially within the extraterritorial jurisdiction of the City of Austin, Texas (the “City”), the District may be annexed by the City without the District’s consent; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. If the District is annexed, the City must assume the assets, functions, and obligations of the District, including outstanding bonds. The City may issue refunding bonds in its own name to refund any bonds or obligations so assumed. No representation is made that the City will ever abolish the District and assume its debt, nor that the City would be able to pay such debt service obligations if it were to annex the District.

The District has the right to consolidate with other districts and, in connection therewith, to provide for the consolidation of its System with the water system of the district or districts with which it is consolidating. No representation is made that the District will ever consolidate its System with another district or consolidate its System with other systems.

Remedies in Event of Default

Other than a writ of mandamus, the Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District’s officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Resolution. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages 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. The enforcement of a claim for payment on the Bonds would be subject to the

applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available.

Defeasance

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

Upon such deposit as described above, such bonds shall no longer be regarded as outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the District to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in the future in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds.

SECURITY FOR THE BONDS

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

Net Revenues

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

Reserve Fund

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

Rate Covenant

In the Bond Resolution, the District has covenanted to establish and maintain rates and charges for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to generate Net Revenues in each Fiscal Year reasonably anticipated to be sufficient : (i) to pay maintenance and operating expenses, depreciation charges and replacement and betterment costs; (ii) to produce Net Revenues at least equal to a sum of 1.10 times the annual debt reserve requirements (computed on a fiscal year basis) of all Bonds Similarly Secured outstanding during each fiscal year; (iii) to pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured, and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on and pledge of the Net Revenues; and (iv) to pay all other indebtedness payable from the Net Revenues and/or secured by a lien on the properties or the revenues of the System.

Issuance of Additional Debt

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

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

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

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BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York (“DTC”) while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District and the Financial Advisor believe the source of such information to be reliable, but neither of the District or the Financial Advisor takes any responsibility for the accuracy or completeness thereof.

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

General

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

DTC, the world’s largest 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 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a S&P Global Ratings rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue 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 (or the Trustee on behalf thereof) 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).

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 Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities 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 principal, premium, if any, interest payments and redemption proceeds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Paying Agent/Registrar's DTC account.

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 transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

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THE DISTRICT

General

The District was created by order of the Commissioners Court of Travis County effective February 9, 1959, and operates under the provisions of Chapters 49 and 51 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts.

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

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water, and the control and diversion of storm water. The District issues bonds and other forms of indebtedness to purchase or construct such facilities.

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

Location

The District contains approximately 1,369 acres of land and is located in western Travis County, Texas (the "County") approximately ten miles northwest of the central business district of the City. The District lies partially within the corporate limits and partially within the extraterritorial jurisdiction of the City.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held only in May even numbered years. The Directors and Officers of the District are listed below:

| <u>Name</u> | <u>Title</u> | <u>Term Expires</u> |
|----------------|---------------------|---------------------|
| Paul Despres | President | May 2026 |
| David Ochsner | Vice President | May 2026 |
| Anna Panossian | Secretary/Treasurer | May 2028 |
| Allen Perry | Assistant Secretary | May 2028 |
| Ashley Troy | Assistant Secretary | May 2026 |

While the District does not employ any full-time employees, it has contracted for certain services as follows:

Tax Assessor/Collector

Land and improvements within the District are appraised for ad valorem taxation purposes by the Travis Central Appraisal District ("Appraisal District"). The District's Tax Assessor/Collector is contracted with by the Board of the District, and the District has contracted with the Travis County Tax Assessor/Collector to serve in this capacity for the District.

Operations

The District contracts with Crossroads Utility Services for maintenance and operation of the District's System (defined herein).

Bookkeeper

The District has engaged Municipal Accounts & Consulting, L.P. to serve as the District's bookkeeper (the "Bookkeeper").

Engineer

The consulting engineer for the District in connection with the design and construction of the District's facilities is Burgess & Niple Engineering, Inc. (the "Engineer").

Special Engineer for the Bonds

The District contracted with Jones-Heroy & Associates, Inc. for preparation of the bond application related to this bond issue ("Special Engineer for the Bonds").

General Counsel and Bond Counsel

The District engages McLean & Howard, L.L.P. as general counsel and as bond counsel in connection with the issuance of the Bonds. The legal fees to be paid bond counsel for services rendered in connection with the issuance 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.

Special Tax Counsel

McCall, Parkhurst & Horton L.L.P., Dallas, Texas has been retained as Special Tax Counsel. The fees payable to Special Tax Counsel are contingent upon the issuance, sale and delivery of the Bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Austin, Texas has been engaged to serve as Disclosure Counsel. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Specialized Public Finance Inc. (the "Financial Advisor") serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance 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.

Auditor

The District's financial statements for the year ended September 30, 2023, were audited by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District's September 30, 2023 audited financial statements.

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USE AND DISTRIBUTION OF BOND PROCEEDS

The construction costs included herein were compiled by the Engineer and the Special Engineer for the Bonds and were submitted to the TCEQ in the District’s Bond Application. Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer, the Special Engineer for the Bonds, and the Financial Advisor. The non-construction costs will be finalized after the sale of the Bonds. The surplus funds may be expended for any lawful purpose for which surplus construction funds may be used, if approved by the TCEQ, where required.

The estimated use and distribution of Bond proceeds is shown below.

CONSTRUCTION RELATED COSTS

| | |
|---|---------------------|
| High Service Pump Building Replacement | \$ 474,690 |
| Village West 64,000 Gallon GST Replacement | 194,717 |
| Interconnection with WTCPUA Improvements | 446,404 |
| Clearwell 125,000 Gallon Steel Tank Replacement | 357,800 |
| Seven Oaks 87,000 Gallon Steel Tank Recoating | 171,000 |
| Seven Oaks 250,000 Gallon Welded Steel GST Replacement | 752,600 |
| Village West 310,000 Gallon Welded Steel GST Replacement | 924,000 |
| Lancer Lane and Miami Drive Waterline Replacement | 871,300 |
| Water Treatment Plant Improvements | 640,000 |
| Water Distribution System Improvements..... | 85,000 |
| Install Chemical Feed System at Woodlake Trail GST | 215,000 |
| Improvements at the Intake Site | 137,500 |
| Repairs of the Office Building | 120,000 |
| Engineering Studies for Predictive Modeling, Generators & Lead and Copper Inventory System | 328,800 |
| Contingencies | 735,082 |
| Engineering, Inspection and Testing..... | 861,130 |
| Total Construction Related Costs..... | \$ 7,315,023 |

NON-ISSUANCE COSTS AND FEES

| | |
|--|-------------------|
| Issuance Costs and Professional Fees | \$ 381,977 |
| Bond Discount | 239,626 |
| Bond Report Costs | 35,000 |
| State Regulatory Fees | 28,000 |
| Contingency | 374 |
| Total Issuance Costs and Fees..... | \$ 684,977 |

TOTAL BOND ISSUE REQUIREMENT \$ 8,000,000

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THE SYSTEM

Regulation

According to the Engineer, the District's water supply and distribution and storm drainage facilities (collectively, the "System") have been designed in accordance with accepted engineering practices and the then current requirements of various entities having regulatory or supervisory jurisdiction over the construction and operation of such facilities. The construction of the System was required to be accomplished in accordance with the standards and specifications of such entities and is subject to inspection by each such entity. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the water treatment plant in which the District owns capacity beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Source of Water Supply

The District provides water service to residents of the District, commercial customers, and certain out of District customers. The District currently provides water service to 1,887 accounts (over 1,990 living unit equivalents ("LUEs")).

The construction and installation of the facilities must be made in accordance with the standards and specifications of such entities and are subject to inspection by each such entity.

The District obtains water from Lake Austin pursuant to a contract with the Lower Colorado River Authority ("LCRA") for a term of 40 years. The contract allows the District to withdraw a maximum of 1,400 acre-feet of raw water per annum from Lake Austin. The contract also has a provision for a maximum diversion rate of 4.64 cubic feet per second (cfs) which allows the District to obtain up to 3 MGD of raw water. The raw water contract is sufficient to serve 3,472 LUEs.

The District's existing water treatment facilities are sufficient to serve 3,472 LUEs (i.e. treat approximately 3.0 MGD of water).

The District's water production and distribution system has been designed in accordance with the criteria of various regulatory agencies including Travis County, the City of Austin and the TCEQ.

Monthly Water Rates and Fees

| <u>Meter Size</u> | <u>In-District Residential Monthly Base Fee</u> | <u>Out-of-District Residential Monthly Base Fee</u> | <u>In-District Non-Residential Monthly Base Fee</u> | <u>Out-of-District Non-Residential Monthly Base Fee</u> |
|-------------------|---|---|---|---|
| 5/8" | \$ 41.35 | \$ 81.99 | \$ 47.26 | \$ 93.70 |
| 3/4" | 57.30 | 113.62 | 60.85 | 120.64 |
| 1" | 89.20 | 176.87 | 92.82 | 184.04 |
| 1 1/2" | 168.66 | 334.99 | 172.50 | 342.02 |
| 2" | 264.66 | 524.75 | 271.75 | 538.80 |
| 3" | 486.78 | 965.16 | 496.23 | 983.90 |
| 4" | 721.90 | 1,431.34 | 734.89 | 1,457.11 |

Volume Charges

| <u>Gallons</u> | <u>Residential Rate (per 1,000 Gallons)</u> | <u>Non-Residential Rate (per 1,000 Gallons)</u> |
|----------------|---|---|
| 2,001-10,000 | \$ 2.17 | \$ 2.89 |
| 10,001-15,000 | 2.53 | 3.97 |
| 15,001-25,000 | 3.25 | 6.13 |
| 25,001-50,000 | 5.77 | 8.66 |
| 50,001-75,000 | 6.50 | 10.83 |
| 75,001 - Over | 7.22 | 15.16 |

Historical Water Consumption (Gallons)

| <u>Fiscal Year End</u> | <u>Gallons Pumped</u> |
|--------------------------------|---------------------------|
| 2019 | 224,908,000 |
| 2020 | 248,422,000 |
| 2021 | 227,385,000 |
| 2022 | 275,883,000 |
| 2023 | 288,980,000 |

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DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for the Bonds.

| Year | Debt Service on the Bonds | | |
|-------|---------------------------|--------------|---------------|
| | Principal | Interest | Total |
| 2025 | \$ - | \$ 197,649 | \$ 197,649 |
| 2026 | 185,000 | 355,769 | 540,769 |
| 2027 | 195,000 | 343,744 | 538,744 |
| 2028 | 205,000 | 331,069 | 536,069 |
| 2029 | 215,000 | 317,744 | 532,744 |
| 2030 | 225,000 | 303,769 | 528,769 |
| 2031 | 235,000 | 289,144 | 524,144 |
| 2032 | 245,000 | 279,744 | 524,744 |
| 2033 | 255,000 | 269,944 | 524,944 |
| 2034 | 270,000 | 259,744 | 529,744 |
| 2035 | 280,000 | 248,944 | 528,944 |
| 2036 | 295,000 | 237,744 | 532,744 |
| 2037 | 310,000 | 225,944 | 535,944 |
| 2038 | 325,000 | 213,544 | 538,544 |
| 2039 | 340,000 | 200,544 | 540,544 |
| 2040 | 355,000 | 186,944 | 541,944 |
| 2041 | 370,000 | 172,300 | 542,300 |
| 2042 | 390,000 | 157,038 | 547,038 |
| 2043 | 410,000 | 140,463 | 550,463 |
| 2044 | 430,000 | 123,038 | 553,038 |
| 2045 | 450,000 | 104,763 | 554,763 |
| 2046 | 470,000 | 85,638 | 555,638 |
| 2047 | 490,000 | 65,663 | 555,663 |
| 2048 | 515,000 | 44,838 | 559,838 |
| 2049 | 540,000 | 22,950 | 562,950 |
| Total | \$ 8,000,000 | \$ 5,178,668 | \$ 13,178,668 |

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FINANCIAL INFORMATION

Condensed Statement of Operations

| | Fiscal Year Ended September 30, | | | | |
|---|---------------------------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| <u>Operating Revenues:</u> ⁽¹⁾ | | | | | |
| Water Service | \$ 1,162,822 | \$ 1,141,885 | \$ 918,903 | \$ 968,893 | \$ 810,029 |
| Investment Revenues | 308,888 | 38,518 | 22,498 | 106,786 | 174,924 |
| Other Revenues and Fees | 90,888 | 31,334 | 47,620 | 47,307 | 55,895 |
| Total | \$ 1,562,598 | \$ 1,211,737 | \$ 989,021 | \$ 1,122,986 | \$ 1,040,848 |
| <u>Operating Expenditures:</u> ⁽²⁾ | | | | | |
| Operating and Maintenance Expenses | \$ 1,204,616 | \$ 849,976 | \$ 1,883,629 | \$ 701,005 | \$ 965,845 |
| Total | \$ 1,204,616 | \$ 849,976 | \$ 1,883,629 | \$ 701,005 | \$ 965,845 |
| Net Revenues of the System | \$ 357,982 | \$ 361,761 | \$ (894,608) | \$ 421,981 | \$ 75,003 |
| Total Water Connections | 1,896 | 1,866 | 1,877 | 1,865 | 1,864 |

(1) Excludes ad valorem property tax revenues.

(2) Excludes capital outlays and ad valorem property tax expenses.

Coverage and Fund Balances

| | |
|--|--------------|
| Average Annual Principal and Interest Requirements, 2025 - 2049 ⁽¹⁾ | \$ 527,147 |
| Coverage of Average Requirements by 9-30-2023 Net System Revenues | 0.68x |
| Maximum Principal and Interest Requirements, 2049 | \$ 562,950 |
| Coverage of Maximum Requirements by 9-30-2023 Net System Revenues | 0.64x |
| Outstanding Bonds ⁽¹⁾ | \$ 8,000,000 |

(1) Includes the Bonds.

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SELECTED PROVISIONS OF THE BOND RESOLUTION

The following are excerpts of certain provisions of the Resolution to be adopted by the Board of Directors authorizing the issuance of the Bonds. Such excerpts do not purport to be complete and reference should be made to the Resolution for the entirety thereof. Copies of the Resolution are available upon request to the District or the District's Bond Counsel.

Section 2.01 Definitions. For all purposes of this Resolution, unless the context requires a different meaning or except as otherwise expressly provided, the following terms shall have the meanings assigned to them below:

"Additional Parity Bonds" means revenue bonds or other evidences of indebtedness which the District reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 10.1 hereof and which are equally and ratably secured by a lien on and pledge of the Pledged Revenues.

"Average Annual Debt Service" means that amount which, at the time of computation, is derived by dividing the total amount of Debt Service for all complete Fiscal Years to be paid over a period of years as the same is scheduled to become due and payable by the number of complete Fiscal Years taken into account in determining the total Debt Service. Capitalized interest payments provided from bond proceeds shall be excluded in making the aforementioned computation.

"Bondholder" or "Holder" when used with respect to any Bond shall mean the Person in whose name such Bond is registered on the Register.

"Bonds" shall mean the Travis County Water Control and Improvement District No. 18 Water System Revenue Bonds, Series 2025 issued and delivered pursuant to this Resolution and all substitute Bonds and Bonds exchanged therefor, as well as all other substitute bonds and replacement bonds issued pursuant hereto, and the term "Bond" shall mean any of the Bonds.

"Bonds Similarly Secured" means, collectively, the Bonds and any Additional Parity Bonds.

"Business Day" means any day which is not a Saturday, Sunday or a day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed or a legal holiday.

"Closing Date" shall mean the date on which the Bonds are initially authenticated and delivered to the Initial Purchaser against payment therefor which shall also be the date the Definitive Bonds are delivered in exchange for the Initial Bond.

"Code" shall mean the Internal Revenue Code of 1986, as amended by any amendments thereto enacted prior to the Closing Date.

"Commission" means the Texas Commission on Environmental Quality.

"Construction Fund" means the Travis County Water Control and Improvement District No. 18 Water System Revenue Bonds, Series 2025 Construction Fund established by Section 9.1 of this Resolution.

"Dated Date" shall mean February 1, 2025.

"Debt Service" means, as of any particular date of computation, with respect to any Bonds Similarly Secured and with respect to any period, the aggregate of the amounts to be paid or set aside by the District as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at the highest lawful effective interest rate permitted by the terms thereof, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

"Definitive Bonds" shall mean the Initial Bond, as may be transferred and converted into or exchanged for fully registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000 in excess thereof.

"Depository Bank" means any financial institution duly designated by the Board of Directors of the District to serve as a depository for funds controlled by the Board of Directors of the District.

"District" shall mean Travis County Water Control and Improvement District No. 18.

"Event of Default" means any event of default as provided in Section 15.1 hereof.

"Existing Obligations" means the Outstanding Series 2014 Bonds.

"Fiscal Year" means the twelve month accounting period used by the District in connection with the operation of the System which may be any twelve consecutive month period established by the District.

“Governmental Obligations” (i) direct noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations unconditionally guaranteed or insured by the agency or instrumentality and on the date of their acquisition or purchase by the District are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and on the date of their acquisition or purchase by the District, 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 law that may be used to defease obligations such as the Bonds.

“Gross Proceeds” means any proceeds as defined in Section 1.148-1(b) of the Regulations, and any replacement proceeds as defined in Section 1.148-1(c) of the Regulations, of the Bonds.

“Gross Revenues” means all income, receipts and revenues of every nature derived or received from the operation and ownership (excluding refundable meter deposits, restricted gifts and grants in aid of construction) of the System, including earnings and income derived from the investment or deposit of moneys in any special funds or accounts created and established for the payment and security of the Bonds Similarly Secured.

“Initial Bond” shall mean the Bond authorized to be issued hereunder which has the registration certificate, executed on behalf of the Comptroller of Public Accounts of the State of Texas, as contemplated by Section 3.5(d) hereof.

“Issuer” shall mean Travis County Water Control and Improvement District No. 18.

“Interest and Sinking Fund” means the fund created or affirmed by Section 9.1 of this Resolution.

“Interest Payment Date” shall mean with respect to any installment of interest on any Bond the date specified in such Bond as the fixed date on which any such installment of interest is due and payable.

“Maintenance and Operating Expenses” means all current expenses of operating and maintaining the System, including all salaries, labor, materials, repairs and extensions necessary to render efficient service; provided, however, that only such repairs and extensions, as in the judgment of the Board of Directors, reasonably and fairly exercised, are necessary to maintain the operations and render adequate service to the District and the inhabitants thereof, or such as might be necessary to meet some physical accident or condition which would otherwise impair the Bonds Similarly Secured shall be deducted in determining “Net Revenues”. Depreciation charges shall not be considered Maintenance and Operating Expenses. Maintenance and Operating Expenses shall include payments under contracts for the purchase of water supply or other materials, goods, services, or facilities for the System to the extent authorized by law and the provisions of such contract.

“Maturity Date” or “Maturity” when used with respect to any Bond shall mean the date on which the principal of such Bond becomes due and payable as therein provided, whether at the Stated Maturity, by call for redemption or otherwise.

“Net Revenues” means the Gross Revenues of the System after deducting Maintenance and Operating Expenses of the System, but not depreciation charges or other expenditures which, under generally accepted accounting principles, should be treated as capital expenditures.

“Outstanding” shall mean, with respect to Bonds Similarly Secured means, as of the date of determination, all Bonds Similarly Secured theretofore issued and delivered, except:

- (1) those Bonds Similarly Secured cancelled by the Paying Agent/Registrar or delivered to the Paying Agent/Registrar for cancellation;
- (2) those Bonds Similarly Secured paid or deemed to be paid in accordance with the provisions of Section 17.1 hereof, or substantially similar provisions with respect to Bonds Similarly Secured; and
- (3) those Bonds Similarly Secured that have been mutilated, destroyed, lost, or stolen and replacement Bonds have been registered and delivered in lieu thereof as provided in Section 3.10 hereof or similar provisions with respect to Bonds Similarly Secured.

“Paying Agent/Registrar Agreement” shall mean the agreement between the District and the Paying Agent/Registrar referred to in Section 5.2 pursuant to which the Paying Agent/Registrar will perform the duties required hereunder.

“Paying Agent/Registrar” shall mean BOKF, NA, Dallas, Texas, until a successor Paying Agent/Registrar shall have been appointed pursuant to the applicable provisions of this Resolution, and thereafter “Paying Agent/Registrar” shall mean such successor Paying Agent/Registrar.

“Person” shall mean any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof.

“Place of Payment” shall mean the designated office of the Paying Agent/Registrar in Dallas, Texas.

“Pledged Revenues” shall mean the Net Revenues of the District’s System, and excluding those revenues excluded from Gross Revenues or excluded from Net Revenues.

“Predecessor Bonds” of any particular Bond shall mean every previous Bond evidencing all or a portion of the same debt as that evidenced by such particular Bond, and, for purposes of this definition, any Bond registered and delivered under Section 3.10 in lieu of a mutilated, lost, destroyed or stolen Bond shall be deemed to evidence the same debt as the mutilated, lost, destroyed or stolen Bond.

“Project” shall mean the construction of improvements to the existing waterworks system of the District, as more fully described in the TCEQ Order.

“Initial Purchaser” shall mean SAMCO Capital Markets.

“Record Date” for the interest payable on any Interest Payment Date shall mean the close of business on the 15th day of the month next preceding the Interest Payment Date.

“Redemption Date” when used with respect to any Bond to be redeemed shall mean the date fixed for such redemption pursuant to the terms of this Resolution.

“Redemption Price” when used with respect to any Bond to be redeemed shall mean the price at which such Bond is to be redeemed pursuant to the terms of this Resolution, excluding installments of interest, the Interest Payment Date for which is on or before the Redemption Date.

“Register” shall have the meaning stated in Section 3.7 hereof.

“Regulations” shall mean the temporary or final Income Tax Regulations applicable to the Bonds issued pursuant to sections 103 and 141 through 150 of the Code. Any reference to a section of the Regulations shall also refer to any successor provision to such section hereafter promulgated by the Internal Revenue Service pursuant to sections 103 and 141 through 150 of the Code and applicable to the Bonds.

“Representation Letter” shall mean the Letter of Representations between the District and the DTC.

“Required Reserve Amount” shall mean the reserve to be accumulated and maintained by the District for the payment of the Bonds as provided in Section 9.4 hereof.

“Reserve Fund” means the fund created or affirmed by Section 9.1 of this Resolution.

“Resolution” shall mean this order authorizing the issuance of the Bonds.

“Revenue Fund” means the Travis County Water Control and Improvement District No. 18 Water System Revenue Fund created or affirmed by Section 9.1 of this Resolution.

“Rule” shall mean SEC Rule 15c2-12, as amended from time to time.

“Special Payment Date” shall have the meaning stated in Section 3.4 hereof.

“Special Project” shall mean, to the extent permitted by law, any waterworks or property, improvement or facility declared by the District not to be part of the System and substantially all of the costs of acquisition, construction, and installation of which is paid from proceeds of a financing transaction other than the issuance of bonds payable from Net Revenues, and for which all maintenance and operation expenses are payable from sources other than revenues of the System, but only to the extent that and for so long as all or any part of the revenues or proceeds of which are or will be pledged to secure the payment or repayment of such costs of acquisition, construction and installation under such financing transaction.

“Special Record Date” shall have the meaning stated in Section 3.4 hereof.

“Stated Maturity” when used with respect to any Bond shall mean the date specified in such Bond as the fixed date on which the principal of such Bond is due and payable.

“Subordinate Lien Obligations” means the bonds permitted to be issued by the District pursuant to Section 10.3 of this Resolution.

“System” means all properties, facilities and plants currently owned, operated and maintained by the District for the supply, treatment and transmission of treated potable water, and all future extensions, improvements, replacements and additions to such property, facilities and plants described above; provided, however, that notwithstanding the foregoing and to the extent now or hereafter authorized or permitted by law, the term “System” shall not mean to include facilities of any kind which are declared

not to be a part of the System and which are acquired or constructed by or on behalf of the District with the proceeds from the issuance of "Special Facilities Bonds", which are hereby defined as being special revenue obligations of the District which are not Bonds Similarly Secured but which are payable from and secured by other liens on and pledges of any revenues, sources or payments not pledged to the payment of the Bonds Similarly Secured including, but not limited to, special contract revenues or payments received from any legal entity in connection with such facilities.

"TCEQ Order" means the order adopted by the Texas Commission on Environmental Quality dated June 5, 2024 authorizing the issuance of the Bonds.

Section 9.1 Creation of Funds.

(a) The following funds are hereby created or affirmed:

(i) "Travis County Water Control and Improvement District No. 18 Revenue Fund" (herein called the "Revenue Fund") is hereby created;

(ii) "Travis County Water Control and Improvement District No. 18 Water System Revenue Bonds, Series 2025 Reserve Fund" (herein called the "Reserve Fund") is hereby created; and

(iii) "Travis County Water Control and Improvement District No. 18 Water System Bonds, Series 2025 Interest and Sinking Fund" (herein called the "Interest and Sinking Fund") is hereby created for the purpose of providing funds to pay the principal of, premium, if any, and interest on the Bonds Similarly Secured as the same become due and payable; and

(iv) "Travis County Water Control and Improvement District No. 18 Water System Revenue Bonds, Series 2025 Construction Fund" (herein called the "Construction Fund") is hereby created.

(b) The District covenants and agrees that all revenues derived from the operation of the System shall be kept separate from other funds of the District.

Section 9.2 Revenue Fund. All Gross Revenues of every nature received from the operation and ownership of the System shall be deposited as collected into the Revenue Fund, and the reasonable, necessary, and proper Maintenance and Operation Expenses of the System shall be paid from the Revenue Fund. The revenues of the System not actually required to pay said expenses shall be deposited from the Revenue Fund into the interest and sinking funds as provided in the orders or resolutions authorizing the Bonds Similarly Secured and the Reserve Fund to the extent provided hereunder for the Bonds and in any order authorizing the issuance of Additional Parity Bonds. Any Gross Revenues remaining in the Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other District purpose now or hereafter permitted by law.

Section 9.3 Interest and Sinking Fund.

(a) Net Revenues of the System shall be deposited to the credit of the Interest and Sinking Fund at such times and in such amounts as necessary for the timely payment of the principal of and interest on the Bonds.

(b) Money on deposit in the Interest and Sinking Fund shall be used to pay the principal of and interest on the Bonds as such become due and payable.

Section 9.4 Reserve Fund.

(a) The District hereby agrees and covenants with the Holders of the Bonds to accumulate and, when accumulated, maintain in the Reserve Fund the Required Reserve Amount equal to the lesser of (i) the Average Annual Debt Service (calculated on a Fiscal Year basis and determined as of the date of issuance of the Bonds, or at the option of the District, at the end of each fiscal year) for the Bonds or (ii) the maximum amount in a reasonably required reserve fund for the Bonds from time to time that can be invested without restriction as to yield pursuant to section 148 of the Internal Revenue Code of 1986, as amended, which Reserve Fund or account shall be maintained at an official depository of the District. All funds deposited into the Reserve Fund (excluding surplus funds which include earnings and income derived or received from deposits or investments which will be transferred to the Revenue Fund during such period as there is on deposit in the Reserve Fund the Required Reserve Amount) shall be used solely for the payment of the principal of and interest on the Bonds, when and to the extent other funds available for such purposes are insufficient, and, in addition, may be used to retire the last stated maturity or interest on the Bonds.

(b) On or before the 1st day of the month next following the month the Bonds are delivered to the Initial Purchaser and on or before the 1st day of each following month, the District shall cause to be deposited to the Reserve Fund from the Pledged Revenues an amount equal to at least one-sixtieth (1/60th) of the Required Reserve Amount (unless the Required Reserve Amount is fully funded on the Closing Date, in which event no such monthly deposits shall be made). After the Required Reserve Amount has been fully accumulated and while the total amount on deposit in the Reserve Fund is in excess of the Required Reserve Amount, no monthly deposits shall be required to be made to the Reserve Fund.

(c) As and when Additional Parity Bonds are delivered or incurred, the District may create and establish a debt service reserve fund pursuant to the provisions of any order or other instrument authorizing the issuance of the Additional Parity Bonds for the purpose of securing that particular issue or series of Bonds Similarly Secured or any specific group of issues or series of Bonds Similarly Secured, and the amounts once deposited or credited to said debt service reserve funds shall no longer constitute Pledged Revenues and shall be held solely for the benefit of the owners of the particular Prior Lien Obligations for which such debt service reserve fund is established. Each debt service reserve fund shall receive a pro rata amount of the Pledged Revenues after the requirements of the Interest and Sinking Fund, which secures all Bonds Similarly Secured, has first been met.

(d) When and so long as the cash and investments in the Reserve Fund equal the Required Reserve Amount, no deposits need be made to the credit of the Reserve Fund; but, if and when the Reserve Fund at any time contains less than the Required Reserve Amount (other than as the result of the issuance of Additional Parity Bonds as provided in the preceding paragraph), the District covenants and agrees to cure the deficiency in the Required Reserve Amount by resuming the monthly deposits to said Fund or account from the Pledged Revenues, or any other lawfully available funds, such monthly deposits to be in amounts equal to not less than 1/60th of the Required Reserve Amount covenanted by the District to be maintained in the Reserve Fund with any such deficiency payments being made on or before the 1st day of each month until the Required Reserve Amount has been fully restored. The District further covenants and agrees that, subject only to the prior payments to be made to the Interest and Sinking Fund, the Pledged Revenues shall be applied and appropriated and used to establish and maintain the Required Reserve Amount and to cure any deficiency in such amounts as required by the terms of the Resolution and any other order or Resolution pertaining to the issuance of Additional Parity Bonds.

(e) During such time as the Reserve Fund contains the Required Reserve Amount, the District may, at its option, withdraw all surplus funds in the Reserve Fund in excess of the Required Reserve Amount and deposit such surplus in the Revenue Fund, unless such surplus funds represent proceeds of the Bonds, then such surplus will be transferred to the Interest and Sinking Fund. The District hereby designates its Depository as the custodian of the Reserve Fund.

Section 9.5 Construction Fund.

(a) On the Closing Date, the sum of \$7,329,168.20 from the proceeds of the Bonds shall be deposited into the Construction Fund.

(b) The Construction Fund shall be kept segregated and apart from other funds and accounts of the District.

(c) Monies on deposit in the Construction Fund shall be applied solely to the payments of costs related to the issuance of the Bonds and costs of the Project.

(d) Any excess funds remaining in the Construction Fund shall be utilized for the costs of purchasing, constructing, acquiring, owning, operating, repairing, improving, or extending the System as approved by the Commission.

Section 9.6 Deficiencies; Excess Revenues.

(a) If on any occasion there shall not be sufficient Gross Revenues to make the required deposits into the Interest and Sinking Fund or Reserve Fund, then such deficiency shall be cured as soon as possible from the next available Gross Revenues, or from any other sources available for such purpose.

(b) Subject to making the required deposits to the Interest and Sinking Fund and the Reserve Fund when and as required by any order or resolution relating to authorizing the issuance of Bonds Similarly Secured, the excess Gross Revenues may be used by the District for any lawful purpose related to the System.

Section 9.7 Investments- Security of Funds.

(a) All moneys on deposit in the funds referred to in this Resolution shall be secured in the manner and to the fullest extent required by the laws of the State of Texas for the security of public funds, and moneys on deposit in such funds shall be used only for the purposes permitted by this Resolution.

(b) Investments.

(i) Money in the funds established by this Resolution, at the option of the District, may be invested in such securities or obligations as permitted under applicable law.

(ii) Any securities or obligations in which money is so invested shall be kept and held in trust for the benefit of the Owners and shall be sold and the proceeds of sale shall be timely applied to the making of all payments required to be made from the fund from which the investment was made.

(c) Investment Income. Interest and income derived from investment of any fund created by this Resolution shall be credited to such fund.

Section 9.8 Contributions in Aid of Construction Any moneys that may be received by the District that shall represent contributions in aid of construction shall be deposited in a separate account at the Depository Bank. Such contributions shall not be considered as part of the Gross Revenues of the System. Payments from such bank account shall be made only for the purposes for which the contributions were made, including any refunds that may become due to any contributor.

Section 10.1 Additional Parity Bonds.

(a) In addition to the right to issue bonds of inferior liens, the District shall hereafter have the right to issue Additional Parity Bonds payable from and equally secured by a pledge of Net Revenues all to the same extent as pledged for and in all things on a parity with the lien of the Bonds; or the District may issue or revenue bonds payable solely from contracts with private corporations, municipalities, or political subdivisions issued particularly to finance facilities needed in performing any such contract and not payable from Net Revenues as defined herein.

(b) Each order under which Additional Parity Bonds are issued shall provide and require that, in addition to the amounts required by the provisions of this Resolution and the provisions of any other order or orders authorizing Additional Parity Bonds to be deposited to the credit of the Interest and Sinking Fund, the District shall deposit to the credit of the Interest and Sinking Fund at least such amounts as are required for the payment of all principal of and interest on said Additional Parity Bonds then being issued, as the same come due; and that the aggregate amounts to be accumulated and maintained in the Reserve Fund shall be increased (if and to the extent required pursuant to the provisions of any order or other instrument authorizing the issuance of the Additional Parity Bonds) to an amount not less than the average annual principal and interest requirement of all bonds and Additional Parity Bonds which will be outstanding after the issuance and delivery of the then proposed Additional Parity Bonds; and that the required additional amount shall be so accumulated by the deposit in the Reserve Fund of all or any part of said required additional amount in cash immediately after the delivery of the then proposed Additional Parity Bonds, or, at the option of the District, by the deposit of said required additional amount (not deposited in cash as permitted above) in monthly installments, made on or before the 1st day of each month following the delivery of the then proposed Additional Parity Bonds, of not less than 1/60th of said required additional amount (or 1/60th of the balance of said required additional amount not deposited in cash as permitted above.)

(c) All calculations of average annual principal and interest requirements made pursuant to this Section shall be made as of and from the date of the Additional Parity Bonds then proposed to be issued.

(d) The principal of all Additional Parity Bonds must be scheduled to be paid or mature on September 1 of the year in which such principal is scheduled to be paid or mature; and all interest thereon must be payable on March 1 and September 1.

(e) The Additional Parity Bonds shall be issued only in accordance with this Resolution, but notwithstanding any provisions of this Resolution to the contrary, no installment, series or issue of Additional Parity Bonds shall be issued or delivered unless:

(i) The President of the District (or other officer of the District) shall have executed a certificate stating that, to the best of his knowledge and belief, the District is not then in default as to any covenant, obligation, or agreement contained in any order or other proceeding relating to any obligations of the District payable from and secured by a lien on the Pledged Revenues that would materially affect the security or payment of such obligations and (2) either (A) payments into all special funds or accounts created and established for the payment and security of all outstanding obligations payable from and secured by a lien on the Pledged Revenues have been made and that the amounts on deposit in such special funds or accounts are the amounts then required to be on deposit therein or (B) the application of the proceeds of sale of such obligations then being issued will cure any such deficiency.

(ii) The Additional Parity Bonds shall be scheduled to mature or be payable as to principal on March 1 or September 1 (or both) in each year the same are to be outstanding or during the term thereof.

(iii) The District has secured a certificate or opinion of a certified public accountant to the effect that, according to the books and records of the District, the Net Revenues of the System for the last completed fiscal year or a 12 consecutive calendar month period ending no more than 90 days preceding the adoption of the resolution authorizing the Additional Parity Bonds shall have been not less than 1.25 times the Average Annual Debt Service computed on a Fiscal Year basis) for all Outstanding Bonds Similarly Secured after giving effect to the issuance of the Additional Parity Bonds then being issued. In making a determination of the Net Revenues, the accountant may take into consideration a change in the rates and charges for services and facilities afforded by the System that became effective at least sixty (60) days prior (i) to the last day of the period for which Net Revenues determined or (ii) the adoption of the order or resolution authorizing the Additional Parity Bonds and, for purposes of satisfying the above Net Revenues test, make a pro forma determination of the Net Revenues of the System for the period of time covered by his certification or opinion based on such change in rates and charges being in effect for the entire period covered by the accountant's certificate or opinion.

Section 10.2 Refunding Bonds. The District reserves the right to issue refunding bonds to refund all or any part of the Bonds Similarly Secured (pursuant to any law then available) upon such terms and conditions as the Board of Directors of the District may deem to be in the best interest of the District and its inhabitants, and if less than all such Bonds Similarly Secured then outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Bonds) in Section 10.1 shall be satisfied and the accountant's certificate or opinion required in Section 10.1 shall give effect to the Debt Service of the proposed refunding bonds (and shall not give

effect to the Debt Service of the Bonds Similarly Secured being refunded following their cancellation or provision being made for their payment).

Section 10.3 Obligations of Inferior Lien and Pledge. The District hereby reserves the right to issue Subordinate Lien Obligations payable from and secured by a lien on and pledge of the System revenues, junior and subordinate in rank and dignity to the lien and pledge securing the payment of the Bonds Similarly Secured, as may be authorized by the laws of the State of Texas.

Section 11.1 Pledge of Revenues.

(a) The Bonds Similarly Secured, including the Bonds, and the interest thereon, and any and all other amounts payable thereunder, are and shall be secured by and payable from a first lien on and pledge of the Net Revenues of the System (with the exception of those in excess of the amounts required to establish and maintain the Interest and Sinking Fund hereinafter provided); and the revenues herein pledged are further pledged to the establishment and maintenance of the Interest and Sinking Fund hereinafter provided.

(b) The Bonds are special obligations of the District secured by and payable from a first lien on and pledge of the Net Revenues of the System, as provided in this Resolution, and is not a charge on the property of the District or on taxes levied by the District. No part of the obligation evidenced by the Bonds, whether principal, interest or other obligation, shall ever be paid from taxes levied or collected by the District.

(c) Chapter 1208, Texas Government Code applies to the issuance of the Bond and the pledge of the Net Revenues granted by the District under Section 11.1(a) of this Resolution, and such pledge, therefore, is valid, effective, and perfected. If Texas law is amended at any time while the Bonds are Outstanding and unpaid such that the pledge of the revenues granted by the District under Section 11.1(a) above is to be subject to the filing requirements of Chapter 9, Texas Business and Commerce Code, then in order to preserve to the registered owners of the Bonds the perfection of the security interest in said pledge, the District agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business and Commerce Code and enable a filing to perfect the security interest in said pledge to occur.

Section 11.2 Payment of Bonds and Performance of Obligations. The District covenants to pay promptly the principal of and interest on the Bonds as the same become due and payable, whether at maturity or by prior redemption, in accordance with the terms of the Bonds and this Resolution, and to keep and perform faithfully all of its covenants, undertakings and agreements contained in this Resolution, or in any Bond executed, authenticated and delivered hereunder.

Section 12.1 Pledge.

(i) The District hereby covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Bonds Similarly Secured, are hereby irrevocably pledged to the payment and security of the Bonds Similarly Secured, including the establishment and maintenance of the special funds created and established by this Resolution, and it is hereby ordered that the Bonds Similarly Secured and the interest thereon shall constitute a first lien on the Pledged Revenues and be valid and binding without any physical delivery thereof or further act by the District.

(ii) The Pledged Revenues of the System in excess of the amounts required for the payment and security of the Bonds Similarly Secured and the other required deposits hereunder may be used by the District for any lawful purpose related to the System.

Section 12.2 Payment of Bonds. While any of the Bonds are Outstanding, the District's General Manager (or other designated financial officer of the District) shall cause to be transferred to the Paying Agent/Registrar from funds on deposit in the Interest and Sinking Fund amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures or comes due by reason of redemption prior to maturity; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the business day next preceding the date of payment for the Bonds.

Section 12.3 Rates and Charges

For the benefit of the Bondholders and in addition to all provisions and covenants in the laws of the State of Texas and in this Resolution, the District hereby expressly stipulates and agrees, while any of the Bonds are Outstanding, to establish, maintain and collect rates, charges and fees for facilities and services afforded by the System that are reasonably expected, on the basis of available information and experience and with due allowance for contingencies, to produce Gross Revenues in each Fiscal Year sufficient:

(i) To pay Maintenance and Operating Expenses, depreciation charges and replacement and betterment costs;

(ii) To produce Net Revenues at least equal to the sum of 1.10 times the annual Debt Service requirements (computed on a Fiscal Year Basis) of all Bonds Similarly Secured outstanding during each Fiscal Year;

(iii) To pay the principal of and interest on the Bonds Similarly Secured and the amounts required to be deposited in any reserve or contingency fund created for the payment and security of the Bonds Similarly Secured and other obligations or evidences of indebtedness issued or incurred that are payable only from and secured solely by a lien on the Pledged Revenues, and

(iv) To pay all other indebtedness payable from the Pledged Revenues and/or secured by a lien on the properties or the revenues of the System.

Section 12.4 Maintenance and Operation Insurance. The District shall maintain the System in good condition and operate the System in an efficient manner and at reasonable cost. While any Bonds are Outstanding, the District agrees to maintain casualty and other insurance on the System of a kind and in an amount customarily carried by similar political subdivisions of the State of Texas owning and operating similar properties. Nothing in this Resolution shall be construed as requiring the District to expend any funds derived from sources other than the operation of the System, but nothing herein shall be construed as preventing the District from so doing.

Section 12.5 Sale or Lease of Properties. The District, to the extent and in the manner authorized by law, may sell or exchange for consideration representing the fair value thereof as determined by the Board of Directors of the District, any property not necessary or required in the efficient operations of the System, or any equipment not necessary or useful in the operations thereof or which is obsolete, damaged, or worn out or otherwise unsuitable for use in the operation of the System. The proceeds of any sale of properties of the System shall be deposited in the Revenue Fund.

Section 12.6 Records and Accounts. The District hereby covenants and agrees that so long as any of the Bonds are Outstanding, it will keep and maintain separate and complete records and accounts pertaining to the operations of the System in which complete and correct entries shall be made of all transactions relating thereto. The Initial Purchaser shall have the right at all reasonable times to inspect such records, accounts and data relating thereto, and to inspect the System and all properties comprising the same. The District further agrees that following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in addition to whatever other matters may be thought proper by the accountant, shall particularly include the following:

- (i) A statement of the income and expenses of the System for such Fiscal Year.
- (ii) A balance sheet for the System as of the end of such Fiscal Year.
- (iii) A statement describing the sources and application of funds of the System for such Fiscal Year.
- (iv) The accountant's comments regarding the manner in which the District has carried out the requirements of this Resolution and any other order or resolution authorizing the issuance of Bonds Similarly Secured and his recommendations for any changes or improvements in the operations, records and accounts of the System.
- (v) A list of insurance policies in force at the end of the Fiscal Year covering the properties of the System, setting out as to each policy the amount thereof, the risk covered, the name of the insurer and the policy's expiration date.

Expenses incurred in making an annual audit of the operations of the System are to be regarded as Maintenance and Operating Expenses. The audits herein required shall be made within 120 days following the close of each Fiscal Year insofar as is possible.

Section 12.7 Special Covenants. The District further covenants and agrees by and through this Resolution as follows:

- (i) It has the lawful power to pledge the Pledged Revenues to the payment of the Bonds to the extent provided herein and has lawfully exercised said power under the Constitution and laws of the State of Texas, and that the Bonds issued hereunder shall be ratably secured in such manner that no one bond shall have preference over any other bond of said issues.
- (ii) The Pledged Revenues of the System have not been in any manner pledged or encumbered to the payment of any debt or obligation of the District or the System, save and except for the Refunded Bonds and the Bonds.
- (iii) No free services of the System (except to the District's facilities) shall be allowed.

Section 12.8 Compliance. The District will comply with all of the terms and conditions of any and all franchises, permits and authorizations applicable to or necessary with respect to the System and which have been obtained from any governmental agency, and the District has or will obtain and keep in full force and effect all franchises, permits, authorizations and other requirements applicable to or necessary with respect to the acquisition, construction, equipment, operation and maintenance of the System.

Section 16.1 Events of Default. Each of the following occurrences or events for the purpose of this Resolution is hereby declared to be an Event of Default:

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

(b) default in the performance or observance of any other covenant, agreement, or obligation of the District and the continuation thereof for a period of 30 days after notice of such default is given by any Bondholder to the District; or

(c) the District files for protection under the federal Bankruptcy Code or other similar state or federal statute.

Section 16.2 Remedies for Default.

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

All such proceedings shall be instituted and maintained for the equal benefit of all Bondholders.

Section 16.3 Remedies Not Exclusive.

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

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

Section 18.1 Defeasance.

(a) If the District shall pay or cause to be paid, or there shall otherwise be paid to the Bondholders, the principal of and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the pledge of Pledged Revenues under this Resolution and all covenants, agreements, and other obligations of the District to the Bondholders shall thereupon cease, terminate, and become void and be discharged and satisfied, and the Paying Agent/Registrar shall pay over or deliver all money held by it under this Resolution to the District.

(b) Bonds or interest installments for the payment of which money shall have been set aside and shall be held in trust by the Paying Agent/Registrar or with any other bank or trust company which has agreed to hold the same for such purpose (through deposit by the District of funds for such payment or otherwise) at the Stated Maturity thereof shall be deemed to have been paid within the meaning and with the effect expressed above in this Section. All Bonds Similarly Secured shall be deemed to have been paid, prior to their Stated Maturity, within the meaning and with the effect expressed above in this Section, if there shall have been deposited with the Paying Agent/Registrar either (a) money in an amount which shall be sufficient to make such payment, (b) Governmental Obligations certified by an independent public accounting firm of national reputation to be of such maturities and interest payment dates and to bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (c) a combination of money and Governmental Obligations together so certified to be sufficient to make such payment, provided that all the expenses pertaining to the Bonds with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Paying Agent/ Registrar (and to such other bank or trust company).

Section 19.5 Amendments.

(a) This Resolution shall constitute a contract with the Bondholders entered into upon the initial purchase of the Bonds, shall be binding on the District and its successors and assigns whether or not so expressed, and shall not be amended or repealed by the District so long as any Bond remains outstanding except as permitted in this Section.

(b) The District may amend this Resolution without the consent of any Holders for the purpose of amending or supplementing this Resolution to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the Holders, (2) grant additional rights or security for the benefit of the Holders, (3) add events of default as shall not be inconsistent with the provisions of the Resolution that do not materially adversely affect the interests of the Holders, (4) qualify the Resolution under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Resolution that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the District, do not materially adversely affect the interest of the Holders.

(c) The Holders of the Bonds aggregating in principal amount a majority of the Outstanding Bonds shall have the right from time to time to approve any amendment to this Resolution not described above if it is deemed necessary or desirable by the District; provided, however, that without the consent of 100% of the owners in original principal amount of the then Outstanding Bonds no amendment may be made of the purpose of: (1) making any change in the maturity of any of the Outstanding Bonds; (2) reducing the rate of interest borne by any of the Outstanding Bonds; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any Outstanding Bonds; (4) modifying the terms of payment of principal or of interest or redemption premium on Outstanding Bonds, or

imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Bonds necessary for consent to such amendment.

(d) Any consent to any amendment hereof by the Bondholder shall bind every future Holder of the same Bond and the Holder of every Bond issued upon transfer or in lieu thereof or in exchange therefor, in respect of anything done or suffered to be done by the District in reliance thereon, whether or not notation of such action is made upon such Bond.

(e) Any rating agency rating the Bonds must receive notice of each amendment and a copy thereof at least 15 days in advance of its execution or adoption.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, the County, the City, or any other political entity other than the District, will be payable from a lien on and pledge of the Net Revenues of the District's System. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the System users all revenues from the use of the System.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Based on recent Texas court decisions, it is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if such a judgment against the District were 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. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owner's remedies, including mandamus. 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 is (1) authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Special districts such as the District must obtain the approval of the Commission as a condition to seeking relief under the Federal Bankruptcy Code. The Commission is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

The Bond Resolution contains covenants by the District intended to preserve the exclusion from gross income for federal income tax purposes of interest on the Bonds. Failure by the District to comply with such covenants in the Bond Resolution on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Marketability

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

Governmental Approval

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the security of the Bonds as an investment, nor has the foregoing authority 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.

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:

- Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
- Restricting the manner in which wastes are released into the air, water, or soils;
- Restricting or regulating the use of wetlands or other property;
- Requiring remedial action to prevent or mitigate pollution;
- 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 an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the “Austin Area”), was not designated “nonattainment” for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

On November 26, 2014, the EPA announced a new proposed ozone NAAQS range of between 65-70 ppb. The Austin Area is vulnerable to being designated nonattainment if the EPA adopts the new proposed ozone NAAQS or otherwise maintains the existing standard applied to more recent air quality monitoring data.

On October 1, 2015, the EPA adopted new NAAQS for ground level ozone of 70 ppb. On November 6, 2017, the EPA issued final designations for the 2015 Ozone NAAQS for most areas of the United States and found that the Austin Area met the standards and thus designated the Austin Area “attainment/unclassified.”

Should the Austin Area fail to achieve attainment under an 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 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 municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

A municipal utility district or other type of special purpose district that (i) is located within the boundaries of such an entity that regulates groundwater usage, and (ii) relies on local groundwater as a source of water supply, may be subject to requirements and restrictions on the drilling of water wells and/or the production of groundwater that could affect both the engineering and economic feasibility of district water supply projects.

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

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

The District is subject to the TCEQ’s General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”), which was issued by the TCEQ on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. The District has applied for coverage under the MS4 Permit and is awaiting final approval from the TCEQ. In order to maintain compliance with the MS4 Permit, the District continues to develop, implement, and maintain the required plans, as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Costs associated with these compliance activities could be substantial in the future.

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

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

While the *Sackett* decision and subsequent regulatory action removed a great deal of uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements, in the future.

Potential 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 value of such taxable properties could be substantially reduced, resulting in a decrease in the taxable assessed value of the District or an increase in the District’s tax rate.

There can be no assurance that a 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 any taxable properties in the District that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the District would be adversely affected. There can be no assurance the District will not sustain damage from such natural disasters.

Changes in Tax Legislation

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

Drought Conditions

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025 and will conclude on June 2, 2025. The Governor of Texas may call additional special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, elections, and other matters which could adversely affect the District and also affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions. While the enactment of future legislation in Texas could adversely affect the financial condition or operations of the District, the District does not anticipate that the security for payment of the Bonds, specifically, the District's obligation to levy an unlimited annual ad valorem tax, would be adversely affected by any such legislation.

Bond Insurance Risks

The following risk factors related to municipal bond insurance policies generally apply:

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the Policy (as defined herein) 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 a redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the Bond Insurer at such time and in such amounts as would have been due absence such prepayment by the District 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 monies received by the Paying Agent/Registrar pursuant to the Bond Resolution. 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 "BOND INSURANCE" herein.

The obligations of the Bond Insurer under the Policy 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.

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LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from a lien on and pledge of the Net Revenues of the District's System, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of McLean & Howard, L.L.P., Bond Counsel ("Bond Counsel"), to a like effect and the opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel ("Special Tax Counsel"), to the matters set forth in "TAX MATTERS." Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for the matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion.

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 that 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.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS," "SECURITY FOR THE BONDS," "THE DISTRICT – General," "MANAGEMENT – Bond Counsel," "SELECTED PROVISIONS OF THE BOND RESOLUTION," "LEGAL MATTERS – Legal Proceedings" (insofar as such section relates to the legal opinion of Bond Counsel) and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine if such information, insofar as it relates to matters of law, is true and correct, and whether such information fairly summarizes the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

In its capacity as Special Tax Counsel, McCall, Parkhurst & Horton L.L.P. has reviewed the information appearing in this Official Statement under the captions "MANAGEMENT – Special Tax Counsel," "LEGAL MATTERS – Legal Proceedings" (insofar as such section relates to the legal opinion of Special Tax Counsel), and "TAX MATTERS" solely to determine whether such information fairly summarizes the law referred to therein. Special Tax Counsel has not independently verified factual information contained in this Official Statement and has not conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the other information contained herein.

The legal fees paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery 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 financial condition of the District from that set forth or contemplated in the Preliminary Official Statement as amended or supplemented through the date of sale.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the collection of Net Revenues of the System to pay the interest or the principal of 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 or the title of the present officers of the District.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) for Federal income tax purposes interest on the Bonds (1) 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 under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of McLean & Howard, L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from a lien on and pledge of the Net Revenues of the District’s System, (b) the District’s federal tax certificate, and (c) covenants of the District relating to, including arbitrage and the use 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 includable 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 interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Special Tax Counsel is conditioned on compliance by the District with the covenants and the requirements, and Special Tax Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Special Tax Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Special Tax Counsel’s opinion is not a guarantee of a result. The 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 facilities financed or refinanced with the proceeds of the Bonds. Special Tax Counsel’s opinion represents its legal judgment 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 Special Tax Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

In the event of redemption, sale or other taxable disposition of such Original issue Discount Bonds 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 or Original Issue Discount Bonds should consult their own tax advisors with respect to the determination of 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, 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 accumulated earnings and profits and excess passive investment income, 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 55(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 obligation, 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(1)(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."**

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets (the “Initial Purchaser”) bearing the interest rates shown on the cover page hereof, at a price of 97.005% of the principal amount thereof which resulted in a net effective interest rate of 4.4468948% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. 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 at any time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over-allot or effect transactions that stabilize or maintain the market prices of the Bonds at levels above those that might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

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. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it 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.

Securities Laws

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

MUNICIPAL BOND RATING

The Bonds are expected to be rated “AA”/(Stable Outlook) by S&P Global Ratings (“S&P”), a business unit of Standard and Poor’s Financial Services LLC, by virtue of a municipal bond insurance policy issued by Build America Mutual Assurance Company (“BAM” or the “Bond Insurer”) at the time of delivery of the Bonds. See “BOND INSURANCE” and “INVESTMENT CONSIDERATIONS – Bond Insurance Risks.” Moody’s Investors Service, Inc. (“Moody’s”) has assigned an underlying, uninsured rating to the District of “Baa1.” An explanation of the rating may be obtained from Moody’s.

An explanation of the significance of the foregoing rating may only be obtained from Moody’s. The foregoing rating expresses only the view of Moody’s at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by Moody’s, if, in its judgment, circumstances so warrant. Any such downward change in or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

The District is not aware of any ratings assigned the Bonds other than those shown above.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company (“BAM” or “Bond Insurer”) 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 APPENDIX B to this Official Statement.

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: <https://bambonds.com>.

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2024 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$502.6.0 million, \$246.3 million and \$256.3 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 <https://bambonds.com/insights/#/video>. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

The Financial Advisor is employed as the financial advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement, including the Official Notice Of Sale and the Official Bid Form for the sale of the Bonds. In its capacity as Financial Advisor, the Financial Advisor has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this official statement in accordance with, and as part of, its responsibilities to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters 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 herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Auditor: The District's financial statements for the year ended September 30, 2023, were audited by McCall Gibson Swedlund Barfoot PLLC. See APPENDIX A for a copy of the District's September 30, 2023 audited financial statements.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

The District, acting through its Board in its official capacity, hereby certifies, as of the date hereof, that the information, statements, and descriptions or any addenda, supplement and amendment thereto pertaining to the District and its affairs contained herein, to the best of its knowledge and belief, contain no untrue statement 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 are made, not misleading. With respect to information included in this Official Statement other than that relating to the District, the District has no reason to believe that such information contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in the light of the circumstances under which they are made, not misleading; however, the Board has made no independent investigation as to the accuracy or completeness of the information derived from sources other than the District. In rendering such certificate, the official executing this certificate may state that he has relied in part on his examination of records of the District relating to matters within his own area of responsibility, and his discussions with, or certificates or correspondence signed by, certain other officials, employees, consultants and representatives of the District.

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through its EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings "DEBT SERVICE REQUIREMENTS," "FINANCIAL INFORMATION," and "APPENDIX A" (Annual Financial Report). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2025.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report of such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, 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 obligated person, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution makes any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from MSRB

The District has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

MISCELLANEOUS

All estimates, statements and assumptions in this Official Statement and the Appendix hereto have been made on the basis of the best information available and are believed to be reliable and accurate. Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are intended as such and not as representations of fact, and no representation is made that any such statements will be realized.

This Official Statement was approved by the Board of Directors of Travis County Water Control and Improvement District No. 18, as of the date shown on the cover page.

/s/ Paul Despres
President, Board of Directors
Travis County Water Control and Improvement District No. 18

ATTEST:

/s/ Anna Panossian
Secretary, Board of Directors
Travis County Water Control and Improvement District No. 18

APPENDIX A

Audited Financial Statements for the fiscal year ended September 30, 2023

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Travis County Water Control
and Improvement District No. 18
Travis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Travis County Water Control and Improvement District No. 18 (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 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 Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - 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.

Board of Directors
Travis County Water Control
and Improvement District No. 18

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 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 supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 8, 2024

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

Management’s discussion and analysis of Travis County Water Control and Improvement District No. 18’s (the “District”) financial performance provides an overview of the District’s financial activities for the fiscal year ended September 30, 2023. Please read it in conjunction with the District’s financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to the financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Fund Balance Sheet and (2) the Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District’s annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District’s overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District’s assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District’s net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has only one governmental fund type. The General Fund accounts for resources not accounted for in another fund, customer service revenues, operating costs and general expenditures.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FUND FINANCIAL STATEMENTS (Continued)

The General Fund is reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District’s governmental fund. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Fund Statement of Revenues, Expenditures and Changes in the Fund Balance to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO THE FINANCIAL STATEMENTS

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information (“RSI”) and other supplementary information. The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District’s financial position. In the case of the District, assets exceeded liabilities by \$10,392,474 as of September 30, 2023.

A portion of the District’s net position reflects its net investment in capital assets (e.g. water facilities, as well as land and land improvements and construction in progress, less any debt used to acquire those assets that is still outstanding). The District uses these assets to provide water services.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

| | Summary of Changes in the Statement of Net Position | | |
|--|---|---------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Current and Other Assets | \$ 7,140,125 | \$ 7,042,950 | \$ 97,175 |
| Capital Assets (Net of Accumulated Depreciation) | 3,971,244 | 3,638,347 | 332,897 |
| Total Assets | \$ 11,111,369 | \$ 10,681,297 | \$ 430,072 |
| Current Liabilities | \$ 718,895 | \$ 401,099 | \$ (317,796) |
| Total Liabilities | \$ 718,895 | \$ 401,099 | \$ (317,796) |
| Net Position: | | | |
| Net Investment in Capital Assets | \$ 3,971,244 | \$ 3,638,347 | \$ 332,897 |
| Unrestricted | 6,421,230 | 6,641,851 | (220,621) |
| Total Net Position | \$ 10,392,474 | \$ 10,280,198 | \$ 112,276 |

The following table provides a summary of the District's operations for the years ended September 30, 2023, and September 30, 2022. The District's net position increased by \$112,276.

| | Summary of Changes in the Statement of Activities | | |
|---------------------------------|---|---------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Revenues: | | | |
| Property Taxes | \$ 735,924 | \$ 651,031 | \$ 84,893 |
| Charges for Services | 1,239,375 | 1,162,395 | 76,980 |
| Other Revenues | 323,223 | 38,557 | 284,666 |
| Total Revenues | \$ 2,298,522 | \$ 1,851,983 | \$ 446,539 |
| Expenses for Services | 2,186,246 | 1,740,211 | (446,035) |
| Change in Net Position | \$ 112,276 | \$ 111,772 | \$ 504 |
| Net Position, Beginning of Year | 10,280,198 | 10,168,426 | 111,772 |
| Net Position, End of Year | \$ 10,392,474 | \$ 10,280,198 | \$ 112,276 |

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The General Fund fund balance decreased by \$216,898, primarily due to operations and capital outlay exceeding property taxes, water service and investment revenues during the year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors annually adopts an unappropriated budget for the General Fund and did not amend the budget during the current fiscal year. Actual revenues were \$495,418 more than budgeted revenues, primarily due to higher than expected investment and water service revenues. Actual expenditures were \$1,073,457 less than budgeted expenditures, primarily due to less than expected capital outlay expenditures.

CAPITAL ASSETS

The District's capital assets as of September 30, 2023, amounted to \$3,971,244 (net of accumulated depreciation). These capital assets include land and land improvements, construction in progress as well as the water system. See also Note 6.

| Capital Assets At Year-End, Net of Accumulated Depreciation | | | |
|---|--------------|--------------|----------------------------------|
| | 2023 | 2022 | Change Positive (Negative) |
| Capital Assets Not Being Depreciated - | | | |
| Land and Land Improvements | \$ 316,075 | \$ 316,075 | \$ |
| Construction in Progress | 680,874 | 164,075 | 516,799 |
| Capital Assets, Net of Accumulated Depreciation - | | | |
| Water System | 2,974,295 | 3,158,197 | (183,902) |
| Total Net Capital Assets | \$ 3,971,244 | \$ 3,638,347 | \$ 332,897 |

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

LONG-TERM DEBT ACTIVITY

As of September 30, 2023, the District had no long-term debt outstanding.

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

The adopted budget for fiscal year 2024 projects a decrease in General Fund fund balance of approximately \$2,641,000. Compared to the fiscal year 2023 budget, revenues are expected to increase by approximately \$246,000 and expenditures are expected to increase by approximately \$1,101,000. The fiscal year 2024 (tax year 2023) tax rate has been established at \$0.0611 on each \$100 of taxable value and will be used to fund general operations.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Travis County Water Control and Improvement District No. 18 c/o McLean & Howard, L.L.P., 4301 Bull Creek Road, Suite 150, Austin, Texas 78731.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2023**

| | General Fund | Adjustments | Statement of Net Position |
|--|---------------------|-----------------------|------------------------------|
| ASSETS | | | |
| Cash | \$ 106,002 | \$ | \$ 106,002 |
| Investments | 6,845,477 | | 6,845,477 |
| Receivables: | | | |
| Property Taxes | 15,693 | | 15,693 |
| Penalty and Interest on Delinquent Taxes | 4,660 | | 4,660 |
| Service Accounts | 143,463 | | 143,463 |
| Accrued Interest | 24,330 | | 24,330 |
| Prepaid Costs | 500 | | 500 |
| Capital Assets (Net of Accumulated Depreciation): | | | |
| Land and Land Improvements | | 316,075 | 316,075 |
| Construction in Progress | | 680,874 | 680,874 |
| Water System | | 2,974,295 | 2,974,295 |
| TOTAL ASSETS | \$ 7,140,125 | \$ 3,971,244 | \$ 11,111,369 |
| LIABILITIES | | | |
| Accounts Payable | \$ 455,860 | \$ | \$ 455,860 |
| Retainage Payable | 34,909 | | 34,909 |
| Security Deposits | 228,126 | | 228,126 |
| TOTAL LIABILITIES | \$ 718,895 | \$ -0- | \$ 718,895 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Property Taxes | \$ 15,693 | \$ (15,693) | \$ |
| Penalty and Interest on Delinquent Taxes | 4,660 | (4,660) | |
| TOTAL DEFERRED INFLOWS OF RESOURCES | \$ 20,353 | \$ (20,353) | \$ -0- |
| FUND BALANCE | | | |
| Nonspendable - | | | |
| Prepaid Costs | \$ 500 | \$ (500) | \$ |
| Assigned for 2024 Budget Deficit | 2,640,801 | (2,640,801) | |
| Unassigned | 3,759,576 | (3,759,576) | |
| TOTAL FUND BALANCE | \$ 6,400,877 | \$ (6,400,877) | \$ - 0 - |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE | \$ 7,140,125 | | |
| NET POSITION | | | |
| Net Investment in Capital Assets | | \$ 3,971,244 | \$ 3,971,244 |
| Unrestricted | | 6,421,230 | 6,421,230 |
| TOTAL NET POSITION | | \$ 10,392,474 | \$ 10,392,474 |

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

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023**

| | |
|-----------------------------------|--------------|
| Total Fund Balance - General Fund | \$ 6,400,877 |
|-----------------------------------|--------------|

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | |
|---|-----------|
| Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental fund. | 3,971,244 |
|---|-----------|

| | |
|--|----------------------------|
| Deferred inflows of resources related to property tax revenues and penalty and interest revenues on delinquent taxes for the 2022 and prior tax levies became part of recognized revenue in the governmental activities of the District. | 20,353 |
| | <hr style="width: 100%;"/> |

| | |
|--|----------------------|
| Total Net Position - Governmental Activities | <u>\$ 10,392,474</u> |
|--|----------------------|

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

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|---|---------------------|---------------------|------------------------------------|
| REVENUES | | | |
| Property Taxes | \$ 739,647 | \$ (3,723) | \$ 735,924 |
| Water Service | 1,162,822 | | 1,162,822 |
| Penalty and Interest | 26,254 | | 26,254 |
| Tap Connection and Inspection Fees | 50,299 | | 50,299 |
| Investment Revenues | 308,888 | | 308,888 |
| Miscellaneous Revenues | <u>14,335</u> | | <u>14,335</u> |
| TOTAL REVENUES | <u>\$ 2,302,245</u> | <u>\$ (3,723)</u> | <u>\$ 2,298,522</u> |
| EXPENDITURES/EXPENSES | | | |
| Service Operations: | | | |
| Professional Fees | \$ 184,607 | \$ | \$ 184,607 |
| Contracted Services | 535,519 | | 535,519 |
| Purchased Water Service | 179,062 | | 179,062 |
| Utilities | 152,296 | | 152,296 |
| Repairs and Maintenance | 644,273 | | 644,273 |
| Other | 248,506 | | 248,506 |
| Capital Outlay | 574,880 | (574,880) | |
| Depreciation | | <u>241,983</u> | <u>241,983</u> |
| TOTAL EXPENDITURES/EXPENSES | <u>\$ 2,519,143</u> | <u>\$ (332,897)</u> | <u>\$ 2,186,246</u> |
| NET CHANGE IN FUND BALANCE | \$ (216,898) | \$ 216,898 | \$ |
| CHANGE IN NET POSITION | | 112,276 | 112,276 |
| FUND BALANCE/NET POSITION - OCTOBER 1, 2022 | <u>6,617,775</u> | <u>3,662,423</u> | <u>10,280,198</u> |
| FUND BALANCE/NET POSITION - SEPTEMBER 30, 2023 | <u>\$ 6,400,877</u> | <u>\$ 3,991,597</u> | <u>\$ 10,392,474</u> |

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

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | |
|---|--------------|
| Net Change in Fund Balance - General Fund | \$ (216,898) |
|---|--------------|

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

| | |
|--|---------|
| Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. | (3,723) |
|--|---------|

| | |
|--|-----------|
| Governmental funds do not account for depreciation. However, in the Statement of Net Position, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. | (241,983) |
|--|-----------|

| | |
|---|---------|
| Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected. | 574,880 |
|---|---------|

| | |
|--|-------------------|
| Change in Net Position - Governmental Activities | <u>\$ 112,276</u> |
|--|-------------------|

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

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**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 1. CREATION OF DISTRICT

Travis County Water Control and Improvement District No. 18 (the “District”) was created by an Order of the Commissioners Court of Travis County effective February 9, 1956, in accordance with the Constitution of the State of Texas, and confirmed by the electorate of the District at a confirmation election held on March 25, 1959. The first bonds of the District were issued in 1959.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Texas Commission on Environmental Quality (the “Commission”).

The District is a political subdivision of the State of Texas governed by a five-member elected Board of Directors. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

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:

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated to obtain net total revenues and expenses in the government-wide Statement of Activities.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balance.

Governmental Fund

The District has only one governmental fund and considers it to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days after year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

Accounts Receivable

The District provides for uncollectible service accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had no allowance for uncollectible accounts at September 30, 2023.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets

Capital assets, which include land and land improvements, construction in progress and water system assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

Assets are capitalized, including infrastructure assets, if they have an original cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives are as follows:

| | |
|--------------|--------------|
| | <u>Years</u> |
| Water System | 10-45 |

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District’s Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has no employees. The Internal Revenue Service has determined that the District’s directors are considered to be “employees” for federal payroll tax purposes only. A separate pension plan has not been established for the directors.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources. 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. The District does not have any restricted fund balances.

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 not adopted a formal policy regarding the assignment of fund balances. The District has assigned fund balance of \$2,640,801 related to the fiscal year 2024 budget deficit.

Unassigned: all other spendable amounts in the General Fund.

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.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounting Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of 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.

NOTE 3. LONG TERM DEBT

The District had no bonds outstanding as of the year ended September 30, 2023.

As of September 30, 2023, the District had \$120,000 of bonds authorized but unissued for the purposes of acquiring, constructing and improving the water system within the District.

NOTE 4. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District's deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year end, the carrying amount of the District's deposits was \$826,002 and the bank balance was \$1,027,823. Of the bank balance, \$970,718 was covered by federal depository insurance and the remaining balance was covered by pledged collateral in the District's name held by a third party. The District was not exposed to custodial credit risk at year-end.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

The carrying values of the deposits are included in the General Fund Balance Sheet and the Statement of Net Position at September 30, 2023, as listed below:

| | Cash | Certificates of Deposit | Total |
|--------------|------------|----------------------------|------------|
| GENERAL FUND | \$ 106,002 | \$ 720,000 | \$ 826,002 |

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District’s financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. 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.” No person may invest District funds without express written authority from the Board of Directors.

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District’s investment policy may be more restrictive than the Public Funds Investment Act.

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.

The District records certificates of deposit at the acquisition cost.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 4. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2023, the District had the following investments and maturities.

| Fund and Investment Type | Fair Value | Maturities in Years | | | |
|-----------------------------|---------------------------|---------------------------|------------------------|------------------------|------------------------|
| | | Less Than 1 | 1-5 | 6-10 | More Than 10 |
| <u>GENERAL FUND</u> | | | | | |
| TexPool | \$6,125,477 | \$6,125,477 | \$ | \$ | \$ |
| Certificates of Deposit | <u>720,000</u> | <u>720,000</u> | _____ | _____ | _____ |
| TOTAL INVESTMENTS | <u>\$6,845,477</u> | <u>\$6,845,477</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> | <u>\$ - 0 -</u> |

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District’s investment in TexPool was rated AAAM by Standard and Poor’s. The District also manages credit risk by investing in certificates of deposit covered by FDIC insurance.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value. The District also manages interest rate risk by investing in certificates of deposit with maturities of one year or less.

NOTE 5. RISK MANAGEMENT

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The District carries commercial insurance for its fidelity bonds and participates in the Texas Municipal League Intergovernmental Risk Pool (“TML”) to provide general liability, property, boiler and machinery, and errors and omissions liability coverage. The District, along with other participating entities, contributes annual amounts determined by TML’s management. As claims arise, they are submitted and paid by TML. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 5. RISK MANAGEMENT (Continued)

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.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2023:

| | October 1, 2022 | Increases | Decreases | September 30, 2023 |
|--|---------------------|---------------------|-----------------|-----------------------|
| Capital Assets Not Being Depreciated | | | | |
| Land and Land Improvements | \$ 316,075 | \$ - 0 - | \$ - 0 - | \$ 316,075 |
| Construction in Progress | <u>164,075</u> | <u>516,799</u> | <u></u> | <u>680,874</u> |
| Total Capital Assets Not Being Depreciated | <u>\$ 480,150</u> | <u>\$ 516,799</u> | <u>\$ - 0 -</u> | <u>\$ 996,949</u> |
| Capital Assets Subject to Depreciation | | | | |
| Water System | <u>\$ 6,603,220</u> | <u>\$ 58,081</u> | <u>\$ - 0 -</u> | <u>\$ 6,661,301</u> |
| Accumulated Depreciation | | | | |
| Water System | <u>\$ 3,445,023</u> | <u>\$ 241,983</u> | <u>\$ - 0 -</u> | <u>\$ 3,687,006</u> |
| Total Depreciable Capital Assets, Net of Accumulated Depreciation | <u>\$ 3,158,197</u> | <u>\$ (183,902)</u> | <u>\$ - 0 -</u> | <u>\$ 2,974,295</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 3,638,347</u> | <u>\$ 332,897</u> | <u>\$ - 0 -</u> | <u>\$ 3,971,244</u> |

NOTE 7. PROPERTY TAX

On August 12, 1969, the voters of the District approved the levy and collection of a maintenance tax not to exceed \$0.50 per \$100 of assessed valuation of taxable property within the District. During the year ended September 30, 2023, the District levied an ad valorem maintenance tax rate of \$0.0658 per \$100 of assessed valuation, which resulted in a tax levy of \$736,999 on the adjusted taxable valuation of \$1,119,622,304 for the 2022 tax year. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's waterworks system.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2023**

NOTE 7. PROPERTY TAX (Continued)

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

NOTE 8. LOWER COLORADO RIVER AUTHORITY

On October 8, 1984, the District entered a Water Sale Contract with the Lower Colorado River Authority (“LCRA”). The District was granted the right to withdraw water from Lake Austin, Travis County, Texas. The contract has been amended February 1, 1987, May 7, 1998, and November 1, 2007. On January 14, 2002, the District and LCRA amended the contract to include additional service area and allow a maximum withdrawal of 1,400 acre-feet of raw water per annum. Water supplied under this contract will be utilized for municipal uses only. The contract expired October 31, 2014.

On April 13, 2015, the District entered a Firm Water Contract with the LCRA. The District was granted the right to withdraw water from Lake Austin, Travis County, Texas. The contract allows for a maximum withdrawal of 1,400 acre-fee of raw water per annum. Water supplied under this contract will be utilized for municipal uses only. The term of the contract is 40 years.

On a monthly basis, the District agrees to pay an amount equal to the water rate determined by the Board of Directors of LCRA to then be in effect for all sales of water for municipal purposes, subtracting the reservation rate, and multiplying by the amount of water diverted during the previous month. On a calendar year basis, the District agrees to pay an amount equal to the rate determined by the Board of Directors of the LCRA, to then be in effect for diversion of water in amounts in excess of the maximum annual quantity (the “Inverted Block Rate”). As of September 30, 2023, the raw water rate was \$77.50/acre-foot of water and the monthly reservation fee was \$9,042. During the current fiscal year, the District incurred costs of \$179,062 in relation to this contract with the LCRA.

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18**

REQUIRED SUPPLEMENTARY INFORMATION

SEPTEMBER 30, 2023

**TRAVIS COUNTY WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 18
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

| | Original Budget | Actual | Variance Positive (Negative) |
|--|----------------------------|----------------------------|------------------------------------|
| | <u> </u> | <u> </u> | <u> </u> |
| REVENUES | | | |
| Property Taxes | \$ 711,212 | \$ 739,647 | \$ 28,435 |
| Water Service | 1,031,000 | 1,162,822 | 131,822 |
| Penalty and Interest | 18,000 | 26,254 | 8,254 |
| Tap Connection and Inspection Fees | 11,500 | 50,299 | 38,799 |
| Investment Revenues | 30,015 | 308,888 | 278,873 |
| Miscellaneous Revenues | <u>5,100</u> | <u>14,335</u> | <u>9,235</u> |
| TOTAL REVENUES | <u>\$ 1,806,827</u> | <u>\$ 2,302,245</u> | <u>\$ 495,418</u> |
| EXPENDITURES | | | |
| Service Operations: | | | |
| Professional Fees | \$ 197,500 | \$ 184,607 | \$ 12,893 |
| Contracted Services | 513,750 | 535,519 | (21,769) |
| Purchased Water Service | 170,000 | 179,062 | (9,062) |
| Utilities | 145,000 | 152,296 | (7,296) |
| Repairs and Maintenance | 513,000 | 644,273 | (131,273) |
| Other | 208,350 | 248,506 | (40,156) |
| Capital Outlay | <u>1,845,000</u> | <u>574,880</u> | <u>1,270,120</u> |
| TOTAL EXPENDITURES | <u>\$ 3,592,600</u> | <u>\$ 2,519,143</u> | <u>\$ 1,073,457</u> |
| NET CHANGE IN FUND BALANCE | <u>\$ (1,785,773)</u> | <u>\$ (216,898)</u> | <u>\$ 1,568,875</u> |
| FUND BALANCE - OCTOBER 1, 2022 | <u>6,617,775</u> | <u>6,617,775</u> | <u> </u> |
| FUND BALANCE - SEPTEMBER 30, 2023 | <u><u>\$ 4,832,002</u></u> | <u><u>\$ 6,400,877</u></u> | <u><u>\$ 1,568,875</u></u> |

See accompanying independent auditor's report.

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APPENDIX B

Specimen Municipal Bond Insurance Policy

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BAM

**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

SPECIAL MEMBER

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES