OFFICIAL STATEMENT DATED OCTOBER 14, 2026

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE "TAX MATTERS" HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

The Bonds have been designated "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (BAM Insured)......"AA"
See "MUNICIPAL BOND INSURANCE" and "RATING"

$3,600,000

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

(A Political Subdivision of the State of Texas, located within Gillespie County)

UNLIMITED TAX ROAD BONDS, SERIES 2026

Dated: November 1, 2026
Interest Accrues from: Date of Delivery

Due: September 1, as shown on inside cover

The $3,600,000 Gillespie County Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2026 (the "Bonds") are obligations of Gillespie County Municipal Utility District No. 1 (the "District") and are not obligations of the State of Texas; Gillespie County, Texas; City of Fredericksburg, Texas; or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Gillespie County, Texas; the City of Fredericksburg, Texas; nor any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated November 1, 2026 (the "Dated Date"), and will accrue interest from the date of initial delivery, which is expected to be on or about November 12, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners ("Registered Owners") as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date (the "Record Date"). The Bonds are fully registered bonds in principal denominations of $5,000 or any integral multiple thereof.

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 "THE BONDS – Book-Entry-Only System."

See "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on inside cover.

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").**

The Bonds are the first series of bonds issued by the District out of an aggregate of $26,000,000 principal amount of unlimited tax bonds authorized by the voters of the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). In addition, the voters of the District have authorized the issuance of an aggregate of $54,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System"), $54,000,000 principal amount for the purpose of refunding bonds issued for the Utility System and $26,000,000 principal amount for the purpose of refunding bonds issued for the Road System. Following the issuance of the Bonds, $22,400,000 principal amount of unlimited tax bonds for the Road System and $50,200,000 principal amount of unlimited tax bonds for the Utility System will remain authorized and unissued. All refunding authorizations remain unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. See "THE BONDS – Source of Payment." Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as and if issued by the District and accepted by the winning bidder for the Bonds (the "Initial Purchaser"), subject to the approval of the Attorney General of Texas and of the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about November 12, 2026.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

$3,600,000 Gillespie County Municipal Utility District No. 1 Unlimited Tax Road Bonds, Series 2026

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 375710 (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 375710 (b)
2028	$ 75,000	7.750%	3.950%	BA7	2040 (c)	$ 145,000	5.250%	5.050%	BN9
2029	80,000	7.750%	4.000%	BB5	2041 (c)	150,000	5.375%	5.100%	BP4
2030	80,000	7.750%	4.100%	BC3	2042 (c)	160,000	5.375%	5.150%	BQ2
2031	85,000	7.750%	4.200%	BD1	2043 (c)	170,000	5.375%	5.200%	BR0
2032 (c)	90,000	7.750%	4.300%	BE9	2044 (c)	180,000	5.375%	5.250%	BS8
2033 (c)	95,000	7.750%	4.400%	BF6	2045 (c)	190,000	5.500%	5.300%	BT6
2034 (c)	105,000	7.750%	4.500%	BG4	2046 (c)	200,000	5.500%	5.350%	BU3
2035 (c)	110,000	7.750%	4.600%	BH2	2047 (c)	210,000	5.500%	5.390%	BV1
2036 (c)	115,000	5.250%	4.700%	BJ8	2048 (c)	225,000	5.500%	5.430%	BW9
2037 (c)	120,000	5.250%	4.800%	BK5	2049 (c)	235,000	5.500%	5.470%	BX7
2038 (c)	130,000	5.250%	4.900%	BL3	2050 (c)	250,000	5.500%	5.500%	BY5
2039 (c)	135,000	5.250%	5.000%	BM1	2051 (c)	265,000	5.500%	5.510%	BZ2

a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser (herein defined). Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.

b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

c) Bonds maturing on September 1, 2032, and thereafter, shall be subject to redemption and payment prior to maturity at the option of the District, in whole or from time to time in part on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial information, 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 Bond Counsel, for further information.

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

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. 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 such 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 "OFFICIAL STATEMENT – Updating of Official Statement."

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 "MUNICIPAL BOND INSURANCE" and "APPENDIX B – Specimen Municipal Bond Insurance Policy."

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 any purposes.

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by Robert W. Baird & Co., Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" at a price of 97.000000% of the par value thereof, which resulted in a net effective interest rate of 5.789956%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

Subject to certain restrictions described in the Official Notice of Sale, the District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

Subject to certain restrictions described in the Official Notice of Sale, the prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon 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 acts of any other jurisdictions. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any 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 should not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Build America Mutual Assurance Company

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

The address of the principal executive offices of BAM is: 28 Liberty Street, 59th Floor, New York, New York 10005, its telephone number is: 212-235-2500, and its website is located at: www.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 June 30, 2026 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $505.6 million, $295.6 million and $210.0 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.bambonds.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

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

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RATING

The Bonds are expected to receive an insured rating of "AA" (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by the Insurer at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P 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 such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the rating discussed above.

[*Remainder of page intentionally left blank.*]

OFFICIAL STATEMENT SUMMARY

The following is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements 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. A full review should be made of this entire Official Statement and of the documents summarized or described herein.

THE BONDS

The District	Gillespie County Municipal Utility District No. 1 (the "District"), a political subdivision of the State of Texas, is located in the City of Fredericksburg, Gillespie County, Texas. See "THE DISTRICT."
The Bonds	The District's $3,600,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds"), are dated November 1, 2026 (the "Dated Date"), and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. The Bonds will accrue interest from the date of initial delivery, which is expected to be on or about November 12, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."
Redemption of the Bonds	The Bonds that mature on and after September 1, 2032, are subject to redemption, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the Beneficial Owners (herein defined) thereof. Principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the Beneficial Owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Outstanding Bonds	The District has previously issued one (1) series of unlimited tax bonds, as follows: $3,800,000 Unlimited Tax Bonds, Series 2025. As of the Date of Delivery, $3,800,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds"). See "THE BONDS – Outstanding Bonds."
Authority for Issuance	The Bonds are the first series of bonds issued by the District out of an aggregate of $26,000,000 principal amount of unlimited tax bonds authorized by the voters of the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). In addition, the voters of the District have authorized the issuance of an aggregate of $54,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System"), $54,000,000 principal amount for the purpose of refunding bonds issued for the Utility System, and $26,000,000 principal amount for the purpose of refunding bonds issued for the Road System. The Bonds are issued pursuant to: (i) Article III, Section 52 of the Texas Constitution; (ii) Chapters 49 and 54 of the Texas Water Code, as amended; (iii) the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas;(iv) a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Resolution"); and (v) an election held within the District on May 6, 2023.

Source of Payment	The Bonds will be payable from a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of the State of Texas; Gillespie County, Texas; the City of Fredericksburg, Texas; or any entity other than the District. See "THE BONDS – Source of Payment." The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of constructing or acquiring the Road System and to pay debt service on bonds issued for the purpose of constructing or acquiring the Utility System; all such taxes are unlimited as to rate or amount.
Payment Record	The District has never defaulted on the timely payment of debt service on its bonded indebtedness
Use of Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developers for a portion of the costs related to the construction of the Road System as shown herein under "THE BONDS – Use and Distribution of Proceeds of the Bonds." Additionally, proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest, developer interest, and other costs associated with the issuance of the Bonds. See "THE BONDS – Use and Distribution of Bond Proceeds."
Qualified Tax-Exempt Obligations	The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations."
Municipal Bond Insurance	Build America Mutual Assurance Company ("BAM"). See "MUNICIPAL BOND INSURANCE."
Rating	S&P Global Ratings (BAM Insured): "AA." See "RATING."
Bond Counsel	Allen Boone Humphries Robinson LLP, Austin, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Cedar Creek Municipal Advisors, LLC, Houston, Texas.

THE DISTRICT

Description	The District is a political subdivision of the State of Texas and was legally created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated February 2, 2023. The District has all the rights, privileges, authority, and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including, without limitation, those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to oversight by the TCEQ under the provisions of the Texas Water Code. The District consisted of approximately 90.22 acres of land at the time of creation. No additional land has been annexed or excluded since the creation. The District is located in Gillespie County approximately 1.5 miles south of downtown Fredericksburg. The District is east of State U.S. Highway 87 and south of Friendship Lane. The District is located within the City of Fredericksburg Independent School District and entirely within the corporate limits of the City of Fredericksburg, Texas (the "City"). See "THE DISTRICT."
Development within the District	The District includes the development of Friendship Oaks, a community that consists of approximately 90.22 total acres. As of September 2, 2026, approximately 78.05 acres (354 lots) in the District have been developed as the single-family residential subdivisions of Friendship Oaks, Phases 1-3. As of September 2, 2026, said subdivisions included approximately 232 completed homes (including 226 occupied homes and 6 unoccupied homes), approximately 28 homes under construction, and approximately 94 vacant developed lots. The remainder of land within the District includes

Friendship Oaks, Phase 4 consisting of approximately 11.35 acres, which is currently under development and will include 64 lots. See "DEVELOPMENT OF THE DISTRICT."

Developers ..... HK Fredericksburg, LLC ("HK Fredericksburg") purchased the approximate 90.22 acres within the District and was the initial developer of land within the District. HK Fredericksburg subsequently sold all the land within the District to Lennar Homes of Texas Land and Construction, Ltd. ("Lennar") and retained a portion of the reimbursement rights. Lennar is developing the land within the District as Friendship Oaks, a single-family residential community. As of September 2, 2026, Lennar has developed Friendship Oaks Phase 1-3 on approximately 78.05 acres, which consists of 354 single-family lots and an amenity center. HK Fredericksburg and Lennar are collectively referred to herein as the "Developers." See "PRINCIPAL LANDOWNERS/DEVELOPERS."

TPG AG EHC III (LEN) Multi State 4, LLC ("TPG Land Bank") and Millrose Properties Texas, LLC ("Millrose Land Bank") serve as land banks for Lennar. TPG Land Bank acquired approximately 55.766 acres within the District from Lennar for the purpose of owning and holding the single-family lots on such acreage. Millrose acquired approximately 11.354 acres within the District from Lennar for the purpose of owning and holding the single-family lots on such acreage. As of September 2, 2026, Lennar has acquired 157 developed single-family lots within Friendship Oaks Phases 2 and 3 from TPG Land Bank, and Lennar is currently constructing homes thereon.

Homebuilder within the District..... Lennar is the sole homebuilder within the District. Homes within the District range in price from approximately $284,999 to approximately $384,699 and in size from approximately 1,260 square feet to approximately 2,210 square feet. See "PRINCIPAL LANDOWNERS/ DEVELOPERS – Homebuilder within the District."

RISK FACTORS

THE DISTRICT'S TAXES ARE LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON.

THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED "RISK FACTORS," BEFORE MAKING AN INVESTMENT DECISION.

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SELECTED FINANCIAL INFORMATION
(UNAUDITED)

2026 Taxable Assessed Valuation	$	64,288,608	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026	$	74,220,117	(b)
Direct Debt:			
The Outstanding Bonds (as of the Date of Delivery)	$	3,800,000	
The Bonds	$	3,600,000	
Total	$	7,400,000	
Estimated Overlapping Debt	$	826,031	(c)
Total Direct and Estimated Overlapping Debt	$	8,226,031	(c)
Direct Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		11.51	%
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026		9.97	%
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		12.80	%
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026		11.08	%
Utility Debt Service Fund Balance (as of September 2, 2026)	$	207,079	(d)
Road Debt Service Fund Balance (as of delivery of the Bonds)	$	317,644	(e)
General Fund Balance (as of September 2, 2026)	$	132,980	(f)
Utility System Capital Projects Fund (as of September 2, 2026)	$	3,508	
2026 Tax Rate per $100 of Assessed Taxable Valuation			
Debt Service	$	0.38	
Maintenance and Operations		0.62	
Total	$	1.00	
Average Annual Debt Service Requirement (2027-2051)	$	535,576	(g)
Maximum Annual Debt Service Requirement (2050)	$	567,350	(g)
Debt Service Tax Rate per $100 of Assessed Taxable Valuation Required to Pay the Average Annual Debt Service Requirement (2027-2051) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation	$	0.88	
Based on the Estimated Taxable Assessed Valuation as of July 1, 2026	$	0.76	
Debt Service Tax Rate per $100 of Assessed Taxable Valuation Required to Pay the Maximum Annual Debt Service Requirement (2050) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation	$	0.93	
Based on the Estimated Taxable Assessed Valuation as of July 1, 2026	$	0.81	
Single-Family Homes (including 28 under construction) as of September 2, 2026		260	(h)

(a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2026, as provided by the Gillespie Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2026, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2026, through July 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT –Direct and Estimated Overlapping Debt Statement."

(d) Funds in the Utility Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, wastewater, and drainage facilities, and are not available to pay debt service on bonds issued by the District for acquiring or constructing roads, including the Bonds.

(e) Represents eighteen (18) months of capitalized interest to be deposited into the Road Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund. Funds in the Road Debt Service Fund are pledged only to pay debt service on bonds issued by the District for the Road System (herein defined), such as the Bonds, and are not available to pay debt service on bonds issued by the District for the Utility System (herein defined).

(f) See "RISK FACTORS – Operating Funds."

(g) See "DISTRICT DEBT – Debt Service Requirement Schedule.

(h) Includes 232 completed homes as of September 2, 2026.

$3,600,000

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX ROAD BONDS, SERIES 2026

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Gillespie County Municipal Utility District No. 1 (the "District") of its $3,600,000 Unlimited Tax Road Bonds, Series 2026 (the "Bonds").

The Bonds are issued pursuant to: (i) Article III, Section 52 of the Texas Constitution; (ii) Chapters 49 and 54 of the Texas Water Code, as amended; (iii) the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; (iv) a resolution authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Resolution"); and (v) an election held within the District on May 6, 2023.

This Official Statement contains descriptions of the Bonds, HK Fredericksburg LLC, a Texas limited liability company and Lennar Homes of Texas Land and Construction, LTD, LLC, a Texas limited liability company (the "Developers"), the Bond Resolution and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, TX, 78701 upon payment of the costs of duplication therefore.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas; Gillespie County, Texas; the City of Fredericksburg, Texas (the "City"); or any political subdivision other than the District, will be secured by the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied annually by the District against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development of the District is directly related to the vitality of the residential housing industry. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Principal Landowners/Developers: There is no commitment by or legal requirement of the Developers or any other landowner in the District to proceed at any particular rate or according to any specified plan with respect to the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT OF THE DISTRICT," "PRINCIPAL LANDOWNERS/DEVELOPERS," and "TAX DATA – Principal Taxpayers."

Dependence on Principal Taxpayers: The ability of any principal landowners to make full and timely payments of taxes levied against their property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated in this Official Statement under the caption "TAX DATA – Principal Taxpayers," the District's principal taxpayers in 2026 owned property located within the District the aggregate assessed valuation of which comprised approximately 19.21% of the District's total 2026 Taxable Assessed Valuation. The District's top taxpayer is Lenar Homes of Texas Land & Construction, Ltd. ("Lennar") comprising approximately 3.57% of the District's 2026 total taxable assessed value. See "PRINICPAL LANDOWNERS/DEVELOPERS" for a description of Lennar's development within the District. In the event that the Developers, homebuilder within the District, or any other taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the

ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolution to maintain any specified amount of surplus in the Utility Debt Service Fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

Maximum Impact on District Tax Rates: Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2026 Taxable Assessed Valuation of property located within the District is $64,288,608 and the Estimated Taxable Assessed Valuation as of July 1, 2026, is $74,220,117. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds (defined herein) and the Bonds will be $567,350 (2050) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be $535,576 (2027-2051). Assuming no increase to nor decrease from the 2026 Taxable Assessed Valuation, tax rates of $0.93 and $0.88 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no increase to nor decrease from the Estimated Taxable Assessed Valuation as of July 1, 2026, tax rates of $0.81 and $0.76 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners. In 2026, the District levied a total tax rate of $1.00 per $100 taxable assessed valuation composed of: $0.62 per $100 of assessed taxable value for maintenance and operations and a tax rate of $0.38 per $100 of assessed taxable value for debt service for payment of unlimited tax bonds issued for the Utility System (defined herein).

Vacant and Under Construction Lots

As of September 2, 2026, there were approximately 94 vacant developed lots and 28 homes under construction in the District. The District makes no representation as to when or if such lots will be sold to homebuilders or whether homes will be constructed on such lots. See "DEVELOPMENT OF THE DISTRICT."

Competitive Nature of Residential Housing Market

The housing industry in the City and surrounding area is very competitive, but the District can give no assurance that the building programs which are planned by any home builder(s) will be continued or completed. The respective competitive position of the homebuilder listed herein in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Increase in Costs of Building Materials and Labor Shortages

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many homebuilders and general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the developers or homebuilders in the District to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the developers or homebuilders.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for commercial and other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential

or agricultural use property within two (2) years of foreclosure and commercial and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy sufficient taxes each year to make such payments. 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners may be limited further 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. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge.

Operating Funds

The District's only significant sources of revenue to pay its operating expenses are maintenance and operations tax proceeds and advances from the Developers. The District levied a 2026 maintenance and operations tax at the rate of $0.62 per $100 of assessed valuation. The District's Operating Fund balance at September 2, 2026, was $132,980. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance and operations tax revenue, and (3) advances from the Developers. In the event that funds are not made available by the Developers, the District may be required to levy a maintenance and operations tax at a rate sufficient to fund its operating expenses. Such an increase may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "THE DISTRICT – General Fund Operating Statement."

Marketability

The District has no understanding (other than the initial reoffering yields) with the winning bidder of the Bonds (the "Initial Purchaser") regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

Future Debt

The Bonds are the first series of bonds issued by the District out of an aggregate of $26,000,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of acquiring or constructing road improvements to serve the District (the "Road System"). In addition, the voters of the District have authorized the issuance of an aggregate of $54,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System"), $54,000,000 principal amount for the purpose of refunding bonds issued for the Utility System and $26,000,000 principal amount for the purpose of refunding bonds issued for the Road System. Following the issuance of the Bonds, $22,400,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System will remain authorized but unissued.

The District may also issue additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, special project bonds, and other obligations described in the Bond Resolution, which may be issued by the District from time to time as needed.

Following the issuance of the Bonds, the District has the right to issue the remaining: $22,400,000 principal amount of unlimited tax bonds authorized but unissued for the Road System; $50,200,000 principal amount of unlimited tax bonds authorized but unissued for the Utility System; and all refunding authorizations. See "THE BONDS – Issuance of Additional Debt."

Following reimbursement with the proceeds of the Bonds, the District will owe the Developers approximately $7,400,000 for expenditures to construct the Utility System and Road System in the District. If additional bonds are issued in the future

and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District's Engineer estimates that the aforementioned $50,200,000 in unlimited tax bonds which remain unissued will be adequate to finance the construction of all the Utility System. The District's issuance of the remaining unissued $22,400,000 principal amount of unlimited tax bonds for acquiring or constructing the Road System will be adequate to finance construction of the Road System. The issuance of such bonds for the Road System is not subject to TCEQ approval.

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 of the District to comply with such covenants 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."

Environmental Regulations

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

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

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

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

Although Gillespie County is currently in attainment, Gillespie County has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that Gillespie County could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow Gillespie County to maintain attainment with the ozone standards. Such additional controls could have a negative impact on Gillespie County's economic growth and development.

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

Pursuant to the federal Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future. Further, the EPA has established a NPDWR for six (6) Per- and Polyflouroalkyl 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 TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the "MS4 Permit") on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District's inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary 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 in order to comply with the MS4 Permit.

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.

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood: Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

Riverine (or Fluvial) Flood: Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

National Weather Service Atlas Rainfall Study

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States ("Atlas 14"). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain.

Potential Impact of Natural Disaster

The District could be impacted by a natural disaster such as wide-spread fires, earthquakes, or weather events such as hurricanes, tornadoes, tropical storms, or other severe weather events that could produce high winds, heavy rains, 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 and an increase in the District's tax rates. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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 meteorological events.

Approval of the Bonds

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas, however, does not pass upon or guarantee the safety of the Bonds as an investment or the adequacy or accuracy of the information contained in this Official Statement.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability, or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

Changes in Tax Legislation

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

Cybersecurity

The District's consultants use digital technologies to collect taxes, hold funds and process disbursements. These systems necessarily hold sensitive protected information that is valued on the black market. As a result, the electronic systems and networks of organizations like the District's consultants are considered targets for cyber-attacks and other potential breaches of their systems. To the extent the District is determined to be the party responsible for various electronic systems or suffers a loss of funds due to a security breach, there could be a material adverse effect on the District's finances. Insurance to protect against such breaches may be limited.

The 90th Texas Legislature

The regular session of the 90th Texas Legislature (the "Legislature") is scheduled to commence on January 12, 2027. The Legislature meets in regular session in odd numbered years for 140 days. When the Legislature is not in session, the Governor may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. Texas Governor Greg Abbott has identified on his agenda property tax relief as a legislative priority. The District cannot predict the likelihood of legislative property tax reform at the legislative level or the impacts therefrom, if implemented.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by 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 moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

Neither the District or Initial Purchaser have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment.

See "MUNICIPAL BOND INSURANCE" herein for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The 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. A copy of the Bond Resolution may be obtained from the District upon written request made to the District's Bond Counsel, Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, Texas 78701.

The Bonds are dated November 1, 2026 (the "Dated Date"), and will accrue interest from the initial date of delivery, which is expected to be on or about November 12, 2026 (the "Date of Delivery"), with interest payable March 1, 2027, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of stated maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS" on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the "Registered Owners") at maturity or prior redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the Interest Payment Date, and mailed by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the "Record Date") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

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's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participant, (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.

DTC 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 required by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 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 rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchase 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 Securities, 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 Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issue 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 Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal and interest 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, Paying Agent/Registrar or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Successor Paying Agent/Registrar

Provision is made in the Bond Resolution for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the corporate trust office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner.

The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds, as follows: $3,800,000 Unlimited Tax Bonds, Series 2025. As of the Date of Delivery, $3,800,000 principal amount of such previously issued bonds will remain outstanding (the "Outstanding Bonds").

Record Date for Interest Payment

Interest on the Bonds will be paid to the Registered Owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each Interest Payment Date) and shall be paid by the Paying Agent/Registrar (i) by check sent by United States mail, first class postage prepaid, to the address of the Registered Owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Registered Owner. If the date for the payment of the principal or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Registered Owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Redemption of the Bonds

Bonds maturing on September 1, 2032, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2031, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such 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 bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one maturity.

The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, unlimited as to rate or amount, levied against all taxable property within the District. In the Bond Resolution, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies costs of collections, paying agent registrar fees and fees of the Appraisal District. Tax proceeds after deduction for collection costs, will be placed in the Road Debt Service Fund and used solely to pay principal of and interest on the Bonds and additional bonds payable from taxes that may be issued for the Road System, and paying agent/ registrar fees. The Bonds are obligations of the District and are not obligations of the State of Texas; Gillespie County, Texas; the City of Fredericksburg, Texas; or any entity other than the District. The District is authorized to levy separate taxes to pay debt service on bonds issued for the purpose of the Road System, and to pay debt service on bonds issued for the purpose of the Utility System; both such taxes are unlimited as to rate or amount.

Authority for Issuance

The Bonds are issued pursuant to: (i) Article III, Section 52 of the Texas Constitution; (ii) Chapters 49 and 54 of the Texas Water Code, as amended; (iii) the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas;(iv) the Bond Resolution; and (v) an election held within the District on May 6, 2023.

The Bonds are the first series of bonds issued by the District out of an aggregate of $26,000,000 principal amount of unlimited tax bonds authorized by the voters of the District for the purpose of acquiring or constructing the Road System. In addition, the voters of the District have authorized the issuance of an aggregate of $54,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, $54,000,000 principal amount for the purpose of refunding bonds issued for the Utility System and $26,000,000 principal amount for the purpose of refunding bonds issued for the Road System.

No Arbitrage

The District will certify, on the date of delivery of the Bonds, 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 prescribed 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 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.

Dissolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District may be dissolved by the City, without the District's consent, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. Provided, however, the City's resolution consenting to creation of the District (the "Consent Resolution") places certain restrictions on the City's right to dissolve the District. The Consent Resolution provides that the District will not be dissolved by the City until (i) all of the water, sanitary sewer, drainage and road facilities to serve the land within the District have been constructed and (ii) the District has issued all of its ad valorem tax bonds and reimbursed the applicable developer, to the maximum extent permitted by law, for the costs of installing and constructing the public water, sanitary sewer, drainage and road facilities serving the District. If the District is dissolved, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within 90 days of the date of dissolution. Dissolution of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City; therefore, the District makes no representation that the City will ever dissolve the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should dissolution occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and any portion of the Road System and Utility System not conveyed to the city) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Funds

The Bond Resolution creates the District's fund for debt service on the Bonds, and any additional unlimited tax bonds issued by the District for the Road System (the "Road Debt Service Fund"). Eighteen (18) months of capitalized interest on the Bonds will be deposited from the proceeds from the sale of the Bonds into the Road Debt Service Fund upon closing of the Bonds. The Road Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the Road System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds, and any of the District's other duly authorized bonds issued for the Road System payable in whole or in part from taxes. Amounts on deposit in the Road Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds, and any additional bonds issued for the Road System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such

tax anticipation notes become due. Amounts on deposit in the Road Debt Service Fund may not be used to pay debt service on bonds issued for the Utility System.

The Utility Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Outstanding Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Outstanding Bonds issued for the Utility System and on any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of any additional bonds issued for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility Debt Service Fund may not be used to pay debt service on bonds issued for the Road System, such as the Bonds.

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 noncallable obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision 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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

The Public Funds Collateral Act (Chapter 2257, Texas Government Code) also provides that bonds of the District (including the Bonds) are eligible as collateral for public funds.

No representation is made that the Bonds will be suitable for or acceptable to financial or public entities for investment or collateral purposes. No representation is made concerning other laws, rules, regulations, or investment criteria which apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Issuance of Additional Debt

The District's voters have authorized the issuance of $26,000,000 principal amount of unlimited tax bonds for the Road System and $26,000,000 principal amount of unlimited tax bonds for purposes of refunding such bonds and could authorize additional amounts. The District's voters have also authorized the issuance of $54,000,000 principal amount of unlimited tax bonds for the Utility System and $54,000,000 principal amount of unlimited tax bonds for purposes of refunding such bonds. The Bonds are the first series of unlimited tax bonds issued by the District for the Road System to serve the District. Following the issuance of the Bonds, $22,400,000 principal amount of unlimited tax bonds for the Road System; $26,000,000 principal amount of unlimited tax bonds for the purposes of refunding such bonds; $50,200,000 principal amount of of unlimited tax bonds for the Utility System; and $54,000,000 principal amount of unlimited tax bonds for the purposes of refunding such bonds will remain authorized but unissued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be issued by the District if authorized by the District's voters and, in the case of bonds for the Utility System, approved by the TCEQ. This District's issuance of bonds for acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following reimbursement to the Developers with the proceeds of the Bonds, the District will owe the Developers approximately $7,400,000 for the Utility System and Road System.

The District is also authorized by statute to engage in firefighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General of Texas. The District has not considered the adoption of a fire plan at this time. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

Registered Owners' Remedies

Pursuant to Texas law, the Bond Resolution provides that, in the event the District defaults in the payment of the principal of or interest on any of the Bonds when due, fails to make payments required by the Bond Resolution into the Utility Debt Service Fund, or defaults in the observance or performance of any of the other covenants, conditions or obligations set forth in the Bond Resolution, any Registered Owner shall be entitled to seek a writ of mandamus from a court of competent jurisdiction compelling and requiring the District to make such payments or to observe and perform such covenants, obligations or conditions. Such right is in addition to other rights the Registered Owners may be provided by the laws of the State of Texas.

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolution does not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee 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. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay the principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developers for a portion of the costs related to the construction of the Road System as shown below. Additionally, proceeds of the Bonds will be used to pay eighteen (18) months of capitalized interest, developer interest, and other costs associated with the issuance of the Bonds.

Non-construction costs are based upon either contract amounts, or estimates of various costs by the Engineer (herein defined) and the Financial Advisor (herein defined). The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor.

CONSTRUCTION COSTS	Total
A. Developer Contribution Items	
1. Phase 1A&B Road Improvements	$ 2,523,724
Total Developer Contribution Items	$ 2,523,724
B. District Contribution Items	
1. None	$ -
Total District Contribution Items	$ -
TOTAL CONSTRUCTION COSTS (72%) of BIR)	$ 2,523,724
NON-CONSTRUCTION COSTS	
A. Legal Fees	$ 105,000
B. Financial Advisor Fees	72,000
C. Interest	
1. Capitalized Interest	317,644
2. Developer Interest	420,632
D. Bond Discount	108,000
E. Bond Issuance Expenses	35,000
F. Bond Engineering Costs	14,400
G. Attorney General Fee (0.10% or $9,500 max)	3,600
TOTAL NON-CONSTRUCTION COSTS	$ 1,076,276
TOTAL BOND ISSUE REQUIREMENT	**$3,600,000**

The construction costs described above were compiled by the Engineer, based, in some cases, on the estimated costs of facilities. Non-construction costs are based upon either contract amounts or estimates. In the instance that estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for roads or improvements in aid thereof. However, the District cannot and does not guarantee the sufficiency of such bonds for such purposes.

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THE DISTRICT

Authority

The District is a political subdivision of the State of Texas and was legally created by order of the TCEQ dated February 2, 2023. The District has all the rights, privileges, authority, and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including, without limitation, those conferred by Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to oversight by the TCEQ under the provisions of the Texas Water Code.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities.

The District is further empowered to construct roads and improvements in aid thereof, and to issue bonds and other forms of indebtedness to purchase or construct such facilities.

Description

The District consisted of approximately 90.22 acres at the time of creation. No additional land has been annexed or excluded since the creation. The District is located in Gillespie County approximately 1.5 miles south of downtown Fredericksburg. The District is east of State U.S. Highway 87 and south of Friendship Lane. The District is located entirely within Fredericksburg Independent School District and the corporate limits of the City of Fredericksburg.

State Highway 87 and Friendship Lane provide access from the District to East Main Street and the heart of the City.

Management of the District

The District is governed by its Board of Directors (the "Board") consisting of five directors, who have control over and management supervision of all affairs of the District. All of the directors own taxable property in the District. The directors serve staggered, four-year terms. Elections are held in even-numbered years in May. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Chelsea Osbourn	President	2028
Will Daves	Vice President	2030
Kim Walker Behrends	Secretary	2030
Travis Houy	Assistant Vice President	2028
Vacant	Assistant Secretary	–

Investment Policy

The District has adopted an Investment Policy (the "Investment Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Investment Policy. The Investment Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Tax Assessor/Collector: The tax assessor/collector for the District is Assessments of the Southwest, Inc.

Bookkeeper: The District's bookkeeper is Municipal Accounts & Consulting, L.P.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual financial statements are filed with the TCEQ. The District engaged McCall Gibson

Swedlund Barfoot Ellis PLLC as its auditor for the fiscal year ended August 31, 2025, which audited financial statements are attached hereto as "APPENDIX A." The District has engaged McCall Gibson Swedlund Barfoot Ellis PLLC to conduct its audit of the District's financial statements for the fiscal year ended August 31, 2026.

Engineer: The District's engineer is Jones- Heroy & Associates, Inc. (the "Engineer").

General and Bond Counsel: The District has engaged Allen Boone Humphries Robinson LLP, Austin, Texas, as general counsel to the District and as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid to Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See "LEGAL MATTERS."

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as disclosure counsel ("Disclosure Counsel") in connection with the issuance of the Bonds. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor: Cedar Creek Municipal Advisors, LLC serves as financial advisor ("Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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General Fund Operating Statement

The following is a summary of the District's Operating Fund. The figures for the fiscal year 2024 through 2025 were obtained from the District's audited financial statements. The figures for the fiscal year ended 2023 and 2026, are unaudited and have been obtained from the District's bookkeeper. The District is required by statute to have a certified public accountant audit the District's financial statements annually, which annual financial statements are filed with the TCEQ. Reference is made to such statements for further and more complete information. See "APPENDIX A," for a copy of financial statements for the fiscal year ended August 31, 2025.

	For Fiscal Year Ended August 31			
	2026 (a)	2025	2024 (b)	2023 (a)
Revenues				
Property Taxes	$ 310,000	$ 77,373	$ 30,758	$ -
Penalty and Interest	-	467	12,434	-
Investment Revenues	2,345	534	33	-
Total Revenues	$ 312,345	$ 78,374	$ 43,225	$ 0
Expenditures				
Professional Fees	$ 197,894	$ 146,988	$ 133,363	$ 61,616
Contracted Services	14,329	41,795	13,446	2,726
Other	8,101	23,545	20,558	7,952
Capital Outlay	–	–	-	–
Total Expenditures	$ 220,324	$ 212,328	$ 167,367	$ 72,294
Excess of Revenues Over Expenditures	$ (92,021)	$ (133,954)	$ (124,142)	$ (72,294)
Other Financing Sources (Uses)				
Developer Advances	$ 57,000	$ 123,000	$ 209,500	$ -
Net Change in Fund Balance	$ (149,021)	$ (10,954)	$ 85,358	$ (72,294)
Fund Balance, Beginning of Year	$ 2,110	$ 13,064	$ (72,294)	$ -
Fund Balance, End of Year	$ 151,131	$ 2,110	$ 13,064	$ (72,294)

(a) Unaudited.
(b) The District's first audited financial statements.

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DEVELOPMENT OF THE DISTRICT

The District includes the development of Friendship Oaks, a community that consists of approximately 90.22 total acres. As of September 2, 2026, approximately 78.05 acres (354 lots) in the District have been developed as the single-family residential subdivisions of Friendship Oaks, Phases 1-3. As of September 2, 2026, said subdivisions included approximately 232 completed homes (including 226 occupied homes and 6 unoccupied homes), approximately 28 homes under construction, and approximately 94 vacant developed lots. The remainder of land within the District includes Friendship Oaks, Phase 4 consisting of approximately 11.35 acres, which is currently under development and will include 64 lots.

Status of Development within the District

The table below summarizes the status of development and land use within the District as of September 2, 2026:

	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Friendship Oaks, Phase 1 (a)(b)	23.07	104	103	-	1
Friendship Oaks, Phase 2 (a)	28.15	130	129	-	1
Friendship Oaks, Phase 3	26.83	120	-	28	92
Totals	78.05	354	232	28	94
Under Development (c)	11.35				
Remaining Developable	0.82				
District Total	90.22				

(a) Such acreage includes property designated as flood plain and open space.

(b) Includes approximately 1.69 acres developed as an amenity center for the District.

(c) Approximately 11.35 acres (64 lots) are currently under development as Friendship Oaks, Phase 4.

PRINCIPAL LANDOWNERS/DEVELOPERS

Role of the Developers

In general, the activities of a developer in a municipal utility district such as the District include purchasing the land within the District, designing the subdivision, designing the utilities and streets to be constructed in the subdivision, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent of the cost of constructing certain water, wastewater and drainage facilities in a utility district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a utility district may have a profound effect on the security of the unlimited tax bonds issued by a district. A developer is generally under no obligation to a district to develop the property which it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is ordinarily a major taxpayer within a municipal utility district during the development phase of the property.

Developers

HK Fredericksburg, LLC ("HK Fredericksburg") purchased the approximate 90.22 acres within the District and was the initial developer of land within the District. HK Fredericksburg subsequently sold all the land within the District to Lennar Homes of Texas Land and Construction, Ltd. ("Lennar"). Lennar is developing the land within the District as Friendship Oaks, a single-family residential community. As of September 2, 2026, Lennar has developed Friendship Oaks Phase 1-3 on approximately 78.05 acres, which consists of single-family lots and an amenity center. HK Fredericksburg and Lennar are collectively referred to herein as the "Developers."

TPG AG EHC III (LEN) Multi State 4, LLC ("TPG Land Bank") and Millrose Properties Texas, LLC ("Millrose Land Bank") serve as land banks for Lennar. TPG Land Bank acquired approximately 55.766 acres within the District from Lennar for the purpose of owning and holding the single-family lots on such acreage. Millrose acquired approximately 11.354 acres within the District from Lennar for the purpose of owning and holding the single-family lots on such acreage. As of September 2, 2026, Lennar has acquired 157 developed single-family lots within Friendship Oaks Phases 2 and 3 from TPG Land Bank, and Lennar is currently constructing homes thereon.

The General Partner of Lennar is U.S. Home LLC, a Delaware limited liability company that is wholly owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at https:investors.lennar.com/financials. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC. See "DEVELOPMENT OF THE DISTRICT – Status of Development Within the District."

The Developers are under no legal obligation to the District to develop any of such acreage available for future development according to any specific plan, timetable, or at all. Therefore, the District cannot predict when, or whether, any of such currently undeveloped acreage located within the District might be developed. In addition, prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Homebuilder within the District

Lennar is the sole homebuilder within the District. Homes within the District range in price from approximately $284,999 to approximately $384,699 and in size from approximately 1,260 square feet to approximately 2,210 square feet.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection and drainage facilities have been designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities including, among others the TCEQ. According to the Engineer, the design of all such facilities has been approved by all required governmental agencies.

Operation of the District's waterworks and sewage treatment facilities is provided by the City and is subject to regulation by, among others, the United States Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Water Supply and Distribution

The District is located wholly within the corporate limits of the City and obtains water service from the City. Pursuant to an annexation agreement dated June 3, 2019 (the "City Agreement"), the City agreed to provide retail water service to users within the District. Each lot within the District is subject to payment of water impact fees in effect at the time of required payment to the City. The water supply is from various groundwater sources obtained by the City. According to the Engineer, the City's water supply facilities are capable of serving 20,000 equivalent single-family connections. According to the Engineer, the City will serve 423 connections at final build out and is currently serving 232 active residential connections and 28 homes under construction in the District. The District's water distribution system will consist of approximately 423 connections. Once constructed and accepted by the City, all water facilities are conveyed to the City for ownership, operation, and maintenance.

Wastewater Treatment and Collection

Pursuant to the City Agreement, the City agreed to provide retail wastewater service to users within the District. Each lot within the District is subject to payment of wastewater impact fees in effect at the time of required payment to the City. The City's wastewater facilities are permitted for 2.5 million gallons per day (gpd) , and the existing City facilities can adequately serve the District at final build out. The District's wastewater collection system will consist of approximately 7,495 linear feet of gravity mains. Once constructed and accepted by the City, all wastewater collection facilities are conveyed to the City for ownership, operation and maintenance.

City Consent Resolution

Under existing Texas law, since the District lies wholly within the corporate limits of the City, the District must conform to the conditions of the consent resolution. The consent resolution provides that the District may issue bonds for any purpose

authorized by law, limits the net effective interest rate on such bonds, requires approval by the City of District construction plans for water, sanitary sewer, drainage and road facilities, and provides that, following construction, all public water, sanitary sewer, drainage (excluding detention facilities) and road facilities will be conveyed to the City for ownership, operation and maintenance.

100 Year Flood Plain

According to the Federal Emergency Management Agency Flood Insurance Rate Map Nos. 48171C0288C and 48171C0451C, none of the District's land is located in the 100-year flood plain.

Storm-Water Drainage Facilities

The District generally slopes southeast through a series of tributaries of the Pedernales River. Rainwater flows to curb and gutter streets to an underground storm sewer collection system to on-channel detention before being released downstream to a tributary of Barons Creek to the Pedernales River. Once constructed and accepted by the City, all drainage facilities constructed to serve the District (other than detention facilities) are conveyed to the City for ownership, operation, and maintenance. The District retains ownership and operation and maintenance responsibilities of the detention facilities.

THE ROAD SYSTEM

The road infrastructure within the District consists of a collector road, Creek Street, from Friendship Lane and from US Highway 87, and an internal street network. Access to the District's collector road and access to the internal street network is provided by Creek Street. All roadways constructed to serve the District are designed and constructed in accordance with City standards, rules, and regulations. Once the District's road facilities are completed and accepted by the City, the City accepts the road facilities for operation and maintenance and is responsible for operation and maintenance thereof.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(September 2026)

PHOTOGRAPHS TAKEN WITHIN THE DISTRICT

(September 2026)

DISTRICT DEBT

Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Bonds plus the principal and interest requirements on the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service	The Bonds: Principal	The Bonds: Interest	The Bonds: Debt Service	Total Debt Service
2027	$ 258,653	$ -	$ 169,998	$ 169,998	$ 428,651
2028	260,653	75,000	211,763	286,763	547,415
2029	262,423	80,000	205,950	285,950	548,373
2030	263,935	80,000	199,750	279,750	543,685
2031	265,135	85,000	193,550	278,550	543,685
2032	266,135	90,000	186,963	276,963	543,098
2033	266,935	95,000	179,988	274,988	541,923
2034	267,425	105,000	172,625	277,625	545,050
2035	267,710	110,000	164,488	274,488	542,198
2036	272,670	115,000	155,963	270,963	543,633
2037	272,080	120,000	149,925	269,925	542,005
2038	276,005	130,000	143,625	273,625	549,630
2039	274,335	135,000	136,800	271,800	546,135
2040	277,285	145,000	129,713	274,713	551,998
2041	279,525	150,000	122,100	272,100	551,625
2042	281,280	160,000	114,038	274,038	555,318
2043	282,280	170,000	105,438	275,438	557,718
2044	282,780	180,000	96,300	276,300	559,080
2046	282,780	190,000	86,625	276,625	559,405
2046	282,280	200,000	76,175	276,175	558,455
2047	281,280	210,000	65,175	275,175	556,455
2048	284,780	225,000	53,625	278,625	563,405
2049	287,285	235,000	41,250	276,250	563,535
2050	289,025	250,000	28,325	278,325	567,350
2051	-	265,000	14,575	279,575	279,575
Total	$ 6,584,673	$ 3,600,000	$ 3,204,723	$ 6,804,723	$ 13,389,396

Average Annual Debt Service Requirement (2027-2051) $535,576

Maximum Annual Debt Service Requirement (2050) $567,350

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Bonded Indebtedness

2026 Taxable Assessed Valuation		$ 64,288,608	(a)
Estimated Taxable Assessed Valuation as of July 1, 2026		$ 74,220,117	(b)
Direct Debt:			
The Outstanding Bonds (as of the Date of Delivery)		$ 3,800,000	
The Bonds		$ 3,600,000	
Total		$ 7,400,000	
Estimated Overlapping Debt		$ 826,031	(c)
Total Direct and Estimated Overlapping Debt		$ 8,226,031	(c)
Direct Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		11.51 %	
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026		9.97 %	
Direct and Estimated Overlapping Debt Ratios:			
As a percentage of the 2026 Taxable Assessed Valuation		12.80 %	
As a percentage of the Estimated Taxable Assessed Valuation as of July 1, 2026		11.08 %	
Utility Debt Service Fund Balance (as of September 2, 2026)	$	207,079	(d)
Road Debt Service Fund Balance (as of delivery of the Bonds)	$	317,644	(e)
General Fund Balance (as of September 2, 2026)	$	132,980	(f)
Utility System Capital Projects Fund (as of September 2, 2026)	$	3,508	
2026 Tax Rate per $100 of Assessed Taxable Valuation			
Debt Service		$ 0.38	
Maintenance and Operations		0.62	
Total		$ 1.00	
Average Annual Debt Service Requirement (2027-2051)		$ 535,576	(g)
Maximum Annual Debt Service Requirement (2050)		$ 567,350	(g)
Debt Service Tax Rate per $100 of Assessed Taxable Valuation Required to Pay the Average Annual Debt Service Requirement (2027-2051) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation		$ 0.88	
Based on the Estimated Taxable Assessed Valuation as of July 1, 2026		$ 0.76	
Debt Service Tax Rate per $100 of Assessed Taxable Valuation Required to Pay the Maximum Annual Debt Service Requirement (2050) at 95% Tax Collections:			
Based on the 2026 Taxable Assessed Valuation		$ 0.93	
Based on the Estimated Taxable Assessed Valuation as of July 1, 2026		$ 0.81	
Single-Family Homes (including 28 under construction) as of September 2, 2026		260	(h)

(a) Represents the assessed valuation of all taxable property located within the District as of January 1, 2026, as provided by the Gillespie Central Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."

(b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2026, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2026, through July 1, 2026. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

(c) See "DISTRICT DEBT –Direct and Estimated Overlapping Debt Statement."

(d) Funds in the Utility Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for water, wastewater, and drainage facilities, and are not available to pay debt service on bonds issued by the District for acquiring or constructing roads, including the Bonds.

(e) Represents eighteen (18) months of capitalized interest to be deposited into the Road Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Road Debt Service Fund. Funds in the Road Debt Service Fund are pledged only to pay debt service on bonds issued by the District for the Road System, such as the Bonds, and are not available to pay debt service on bonds issued by the District for the Utility System.

(f) See "RISK FACTORS – Operating Funds."

(g) See "DISTRICT DEBT – Debt Service Requirement Schedule.

(h) Includes 232 completed homes as of September 2, 2026.

Direct and Estimated Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt July 31, 2026	Overlapping Percent	Overlapping Amount
Gillespie County	$ 6,180,000	0.61 %	$ 37,647
City of Fredericksburg	12,220,000	1.49 %	181,023
Hill Country UWCD	–	–	–
Fredericksburg ISD	73,200,000	0.83 %	607,361
Gillespie WCID	–	–	–
Total Estimated Overlapping Debt			$ 826,031
Direct Debt (a)			$ 7,400,000
Total Direct and Estimated Overlapping Debt (a)			$ 8,226,031

(a) Includes the Outstanding Bonds and the Bonds.

Debt Ratios

	Percentage of 2026 Taxable Assessed Valuation	Percentage of Estimated Taxable Assessed Valuation as of July 1, 2026
Direct Debt (a)	11.51%	9.97%
Total Direct and Estimated Overlapping Debt (a)	12.80%	11.08%

(a) Includes the Outstanding Bonds and the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds and any additional bonds payable from taxes which the District may hereafter issue (see "RISK FACTORS – Future Debt"), and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Resolution to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." Under Texas law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District, the Utility System, the Road System and for the payment of certain contractual obligations. See "TAX DATA – Maintenance Tax."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by such appraisal district. The Gillespie Central Appraisal District (the "Appraisal District") has the responsibility of appraising property for all taxing units within Gillespie County, including the District. Such appraisal values will be subject to review and change by the Appraisal Review Board, of the Appraisal District. The appraisal roll, as approved by the Appraisal Review Board, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to 20% of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the assessor and collector of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. The District has never adopted an order granting a general residential homestead exemption.

Freeport Goods and Goods-in-Transit Exemptions: A "Freeport Exemption" applies to goods, wares, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas that are destined to be forwarded outside of Texas and that are detained in Texas for assembling, storing, manufacturing, processing, or fabricating for fewer than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property that are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law.

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. Nevertheless, certain land may be appraised at less than market value, as such is defined in the Property Tax Code. The Texas Constitution limits increases in the appraised value of residence homesteads to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land, and timberland.

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

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

Tax Payment Installments After Disaster

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

Additionally, the Property Tax Code authorizes a taxing jurisdiction such as the District, solely at the jurisdiction's discretion to adopt a similar installment payment option for taxes imposed on property that is located within a designated disaster area or emergency area and is owned or leased by certain qualified business entities, regardless of whether the property has been damaged as a direct result of the disaster or emergency.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Rollback of Operation and Maintenance Tax Rate

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

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

Developed Districts: Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused

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

Developing Districts: Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If an election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

The District: For the 2026 tax year, the District was designated as a Developing District. For future years, a determination as to the District's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board of Directors on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

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

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TAX DATA

General

All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct annual ad valorem tax without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board covenants in its Bond Resolution to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The District is authorized to levy separate debt service taxes, both unlimited as to rate or amount, for payment of debt service on bonds issued for the Road System, including the Bonds, and for payment of debt service on bonds issued for the Utility System. See "THE BONDS" and "RISK FACTORS."

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance:	$1.00 per $100 Assessed Taxable Valuation.
Maintenance (Roads):	$0.25 per $100 Assessed Taxable Valuation.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed $1.00 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. The Board also is authorized by the District's voters to levy a maintenance tax for road improvements in an amount not to exceed $0.25 per $100 of assessed valuation. The District has not levied a maintenance tax for roads. See "– Tax Rate Distribution" below.

Additional Penalties

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

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed taxable valuation which would be required to meet certain debt service requirements of the Outstanding Bonds and the Bonds if no growth in the District's tax base occurs beyond the 2026 Taxable Assessed Valuation ($64,288,608), or the Estimated Taxable Assessed Valuation as of July 1, 2026 ($74,220,117). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement (2027-2051)	$ 535,576
Debt Service Tax Rate of $0.88 on the 2026 Taxable Assessed Valuation	$ 537,453
Debt Service Tax Rate of $0.76 on the Estimated Taxable Assessed Valuation as of July 1, 2026	$ 535,869
Maximum Annual Debt Service Requirement (2050)	$ 567,350
Debt Service Tax Rate of $0.93 on the 2026 Taxable Assessed Valuation	$ 567,990
Debt Service Tax Rate of $0.81 on the Estimated Taxable Assessed Valuation as of July 1, 2026	$ 571,124

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per $100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. The following chart includes the 2026 taxes per $100 of assessed valuation levied by all such taxing jurisdictions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2026 Tax Rate
City of Fredericksburg	$ 0.244342
Gillespie County	0.277000
Fredericksburg ISD	0.773100
Hill Country UWCD	0.005400
Gillespie WCID	0.000194
The District	1.000000
Total	$ 2.300036

Historical Tax Collections

The following table illustrates the collection history of the District for the 2023-2026 tax years:

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 09/30	Collections 09/22/2026
2023	$ 3,075,750	$ 1.000000	$ 30,758	100.00%	2024	100.00%
2024	7,955,685	1.000000	79,557	96.17%	2025	99.43%
2025	37,337,429	1.000000	373,374	94.97%	2026	94.97%
2026	64,288,608	1.000000	642,886	(a)	2027	(a)

(a) In process of collection. Taxes for the 2026 tax year are due without penalty by January 31, 2027.

Tax Rate Distribution

The following table sets out the components of the District's tax levy for each of the 2023–2026 tax years.

	2026	2025	2024	2023
Utility System Debt Service	$0.3800	$0.0000	$0.0000	$0.0000
Maintenance & Operation	0.6200	1.0000	1.0000	1.0000
Total	$1.0000	$1.0000	$1.0000	$1.0000

Assessed Taxable Valuation Summary

The following represents the types of property comprising the District assessed taxable value for each of the 2023–2026 tax years.

Type of Property	2026 Assessed Taxable Valuation	2025 Assessed Taxable Valuation	2024 Assessed Taxable Valuation	2023 Assessed Taxable Valuation
Land	$ 14,910,258	$ 13,810,258	$ 10,111,390	$ 7,724,520
Improvements	49,681,361	23,693,346	959,465	352,450
Personal Property	1,600,960	808,440	–	–
Exemptions	(1,661,311)	(869,062)	(3,115,170)	(5,001,220)
Total	$ 64,288,608	$ 37,442,982	$ 7,955,685	$ 3,075,750

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2026:

Taxpayer	Type of Property	Assessed Valuation 2026 Tax Roll	Percent of District 2026 Value
Lennar Homes of Texas Land & Construction (a)(b)	Land & Improvement	$ 2,293,950	3.57%
Purchasing Fund 2023-1 LLC (c)	Land & Improvement	2,093,100	3.26%
TPG AG EHC III MULTI State 4 LLC (a)	Land & Improvement	1,632,603	2.54%
Purchasing Fund 2021-1 LLC (c)	Land & Improvement	1,191,640	1.85%
Purchasing Fund 2025-3 LLC (c)	Land & Improvement	1,169,020	1.82%
Homeowner	Land & Improvement	919,880	1.43%
Millrose Properties Texas LLC (a)	Land & Improvement	915,405	1.42%
Homeowner	Land & Improvement	902,580	1.40%
Homeowner	Land & Improvement	615,560	0.96%
Homeowner	Land & Improvement	615,300	0.96%
		$ 12,349,038	19.21%

(a) See "PRINCIPAL LANDOWNERS/DEVELOPERS." TGP AG EHC III (LEN) MULTI State 4, LLC and Millrose Properties Texas, LLC serve as the land banks for Lennar.
(b) See "DEVELOPMENT OF THE DISTRICT – Homebuilder within the District."
(c) This entity purchases homes from Lennar for resale or rental purposes.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the 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 the proceeds of an annual ad valorem tax levied, without legal limitation as to rate or amount, upon all taxable property within the District, 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 Bond Counsel to a like effect and to the effect that, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Code (as defined herein), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

Bond Counsel has reviewed the information appearing in this Official Statement under "THE BONDS" (except for information under the subheadings "– Book-Entry-Only System" and "Use and Distribution of Bond Proceeds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and 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.

Allen Boone Humphries Robinson LLP, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to 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 upon the sale and delivery of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel.

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

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The District has covenanted in the Bond Resolution that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the District as the taxpayer, and the Owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds, regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code

during calendar year 2026 is not expected to exceed $10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2026.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20 percent disallowance of allocable interest expense.

Additional Federal Income Tax Considerations

Collateral Tax Consequences

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

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

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds.

Prospective purchasers of the Bonds should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the "Premium Bonds") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount

If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the "OID Bonds"), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, such initial owner is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions "TAX MATTERS – Tax Exemption" and "TAX MATTERS –

Additional Federal Income Tax Considerations – Collateral Tax Consequences" and "—Tax Legislative Changes" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues 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 OID 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Bond.

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

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any recently enacted, proposed, pending or future legislation.

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District does not have more than $10,000,000 in aggregate amount of bonds outstanding (including the Bonds) and no person is committed by contract or other agreement with respect to payment of the bonds. As required by Rule 15c2-12, and in the Bond Resolution, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

The District will provide certain financial information and operating data which is customarily prepared by the District and is publicly available, annually to the MSRB.

The financial information and operating data which will be provided with respect to the District is found in "APPENDIX A" (Financial Statements of the District).The District will update and provide this information to the MSRB within six months after the end of each of its fiscal years ending on or after 2026. Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall 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 becomes available.

The District's current fiscal year end is August 31. Accordingly, it must provide updated information by the last day in February 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 events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligation" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule"). The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of 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 holders and beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

Compliance with Prior Undertakings

To date, the District has complied in all material respects with all its prior continuing disclosure agreements made in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developers, the District's records, the Engineer, the Tax Assessor/Collector, the Bookkeeper, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Experts

The information contained in the Official Statement relating to engineering and to the description of the Utility System, and the Road System, and, in particular, that engineering information included in the sections entitled "THE DISTRICT – Description," "THE UTILITY SYSTEM," and "THE ROAD SYSTEM" has been provided by Jones-Heroy & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

The information contained in the Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by Assessments of the Southwest, Inc. and the Appraisal District. Such information has been included herein in reliance upon Assessments of the Southwest, Inc. authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of tax assessing.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, descriptions and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof.

Updating of 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 in writing 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 (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Gillespie County Municipal Utility District No. 1 as of the date shown on the cover page hereof.

/s/ Chelsea Osbourn
President, Board of Directors
Gillespie County Municipal Utility District No. 1

ATTEST:

/s/ Kim Walker Behrends
Secretary, Board of Directors
Gillespie County Municipal Utility District No. 1

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

GILLESPIE COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

AUGUST 31, 2025

McCALL GIBSON SWEDLUND BARFOOT ELLIS PLLC
Certified Public Accountants

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McCall Gibson Swedlund Barfoot Ellis PLLC

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(retired)

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Gillespie County Municipal Utility District No. 1
Gillespie County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Gillespie County Municipal Utility District No. 1 (the "District") as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of August 31, 2025, 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.

Correction of Errors

As discussed in Note 11 to the financial statements, the District's government-wide financial statements as of and for the year ended August 31, 2024, have been restated to correct certain misstatements. Our opinions are not modified with respect to these matters.

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
Gillespie County Municipal Utility District No. 1

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 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 Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

November 12, 2025

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2025

Management's discussion and analysis of the financial performance of Gillespie County Municipal Utility District No. 1 (the "District") provides an overview of the District's financial activities for the fiscal year ended August 31, 2025. 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) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined 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 combined 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 one governmental fund type. The General Fund accounts for maintenance tax revenues, developer advances, professional fees, and administrative costs.

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. 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 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. A 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, liabilities exceeded assets by $580,564 as of August 31, 2025. A portion of the District's net position reflects its net investment in capital assets (capital assets less any debt used to acquire those assets that is still outstanding).

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following table provides a comparative analysis of the government-wide changes in net position for the years ended August 31, 2025, and August 31, 2024:

	Summary of Changes in the Statement of Net Position		
	2025	2024*	Change Positive (Negative)
Current Assets	$ 38,642	$ 41,315	$ (2,673)
Capital Assets (Net of Depreciation)	8,920,777	9,124,624	(203,847)
Total Assets	$ 8,959,419	$ 9,165,939	$ (206,520)
Due to Developer	$ 9,505,635	$ 9,382,635	$ (123,000)
Other Liabilities	34,348	28,251	(6,097)
Total Liabilities	$ 9,539,983	$ 9,410,886	$ (129,097)
Net Position:			
Net Investment in Capital Assets	$ (252,358)	$ (48,511)	$ (203,847)
Restricted	-	-	-
Unrestricted	(328,206)	(196,436)	(131,770)
Total Net Position	$ (580,564)	$ (244,947)	$ (335,617)

The following table provides a summary of the District's operations for the years ended August 31, 2025, and August 31, 2024. The District's net position decreased by $335,617. Comparative data is presented below:

	Summary of Changes in the Statement of Activities		
	2025	2024*	Change Positive (Negative)
Revenues:			
Property Taxes	$ 79,557	$ 30,758	$ 48,799
Service Revenues	467	-	467
Other Revenues	534	12,467	(11,933)
Total Revenues	$ 80,558	$ 43,225	$ 37,333
Expenses for Services	416,175	215,878	(200,297)
Change in Net Position	$ (335,617)	$ (172,653)	$ (162,964)
Net Position, Beginning of Year	(244,947)	(72,294)	(172,653)
Net Position, End of Year	$ (580,564)	$ (244,947)	$ (335,617)

*As Adjusted, see Note 11

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUND

The District's General Fund fund balance as of August 31, 2025, was $2,110, a decrease of $10,954 from the prior year. This decrease is primarily due to operating costs exceeding developer advances and maintenance tax revenues.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted a General Fund budget for the current fiscal year and did not amend the budget. Actual revenues were $78,374 more than budgeted revenues and actual expenditures were $60,383 more than budgeted expenditures and developer advances were $28,945 less than budgeted. The result was a negative variance of $10,954 compared to budget. See the budget to actual comparison for more information.

CAPITAL ASSETS

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer funded capital assets are recorded on the District's financial statements upon completion of construction.

As of August 31, 2025, capital assets totaled $8,920,777 and include water facilities, wastewater facilities, drainage and detention facilities and paving.

Capital Assets At Year-End

	2025	2024	Change Positive (Negative)
Capital Assets Subject to Depreciation:			
Water System	$ 1,267,421	$ 1,267,421	$
Wastewater System	1,306,523	1,306,523	
Drainage and Detention Facilities	1,336,100	1,336,100	
Roads	5,263,091	5,263,091	
Less Accumulated Depreciation	(252,358)	(48,511)	(203,847)
Total Net Capital Assets	$ 8,920,777	$ 9,124,624	$ (203,847)

Pursuant to the City of Fredericksburg's (the "City") resolution consenting to the creation of the District, the District conveys completed water, wastewater, drainage (excluding detention facilities which will be owned by the District) and road facilities to the City for ownership and maintenance of the facilities. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

LONG-TERM DEBT

As of August 31, 2025, the District recorded a developer liability of $9,505,635 for completed projects and operating advances. The portion related to operating advances made since inception totaled $332,500, of which $123,000 was received in the current fiscal year. The developer has also paid for costs related to the construction of certain infrastructure within the District which totaled $9,173,135. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Commission, if applicable, and the Attorney General of the State of Texas or any other lawfully available funds.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The adopted budget for fiscal year 2026 projects an increase in General Fund fund balance of $166,177; revenues are budgeted to be $370,000 and expenditures are budgeted to be $203,823. The fiscal year 2026 tax rate has been established at $1.00 on each $100 of taxable value 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 Gillespie County Municipal Utility District No. 1 c/o Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, TX 78701.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
AUGUST 31, 2025

	General Fund	Adjustments	Statement of Net Position
ASSETS			
Cash	$ 36,458	$	$ 36,458
Receivables -			
Property Taxes	2,184		2,184
Capital Assets (Net of Accumulated Depreciation)		8,920,777	8,920,777
TOTAL ASSETS	$ 38,642	$ 8,920,777	$ 8,959,419
LIABILITIES			
Accounts Payable	$ 34,348	$	$ 34,348
Due to Developer		9,505,635	9,505,635
TOTAL LIABILITIES	$ 34,348	$ 9,505,635	$ 9,539,983
DEFERRED INFLOWS OF RESOURCES			
Property Taxes	$ 2,184	$ (2,184)	$ - 0 -
FUND BALANCE			
Unassigned	$ 2,110	$ (2,110)	$ - 0 -
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 38,642		
NET POSITION			
Net Investment in Capital Assets		$ (252,358)	$ (252,358)
Unrestricted		(328,206)	(328,206)
TOTAL NET POSITION		$ (580,564)	$ (580,564)

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

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total Fund Balance - Governmental Fund	$	2,110
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 funds.		8,920,777
Deferred inflows of resources related to property taxes receivable for the 2024 tax levy became part of recognized revenue in the governmental activities of the District.		2,184
Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. Those liabilities consist of:		
Due to Developer		(9,505,635)
Total Net Position - Governmental Activities	$	(580,564)

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

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED AUGUST 31, 2025

	General Fund	Adjustments	Statement of Activities
REVENUES			
Property Taxes	$ 77,373	$ 2,184	$ 79,557
Penalty and Interest	467		467
Investment and Other Revenues	534		534
TOTAL REVENUES	$ 78,374	$ 2,184	$ 80,558
EXPENDITURES/EXPENSES			
Service Operations:			
Professional Fees	$ 146,988	$	$ 146,988
Contracted Services	41,795		41,795
Depreciation		203,847	203,847
Other	23,545		23,545
TOTAL EXPENDITURES/EXPENSES	$ 212,328	$ 203,847	$ 416,175
DEFICIENCY OF REVENUES UNDER EXPENDITURES/EXPENSES	$ (133,954)	$ (201,663)	$ (335,617)
OTHER FINANCING SOURCES			
Developer Advances	$ 123,000	$ (123,000)	$ - 0 -
NET CHANGE IN FUND BALANCE	$ (10,954)	$ 10,954	$
CHANGE IN NET POSITION		(335,617)	(335,617)
FUND BALANCE/NET POSITION - SEPTEMBER 1, 2024, AS REPORTED	$ 13,064	$ (328,011)	$ (314,947)
CORRECTION OF ERRORS		70,000	70,000
SEPTEMBER 1, 2024, AS RESTATED	$ 13,064	$ (258,011)	$ (244,947)
FUND BALANCE/NET POSITION - AUGUST 31, 2025	$ 2,110	$ (582,674)	$ (580,564)

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

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Net Change in Fund Balance - Governmental Fund	$	(10,954)
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.		2,184
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.		(203,847)
Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.		(123,000)
Change in Net Position - Governmental Activities	$	(335,617)

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

NOTE 1. CREATION OF DISTRICT

Gillespie County Municipal Utility District No. 1 (the "District) was created by Order of the Texas Commission on Environmental Quality (the "Commission"), effective February 2, 2023. The District was created as a municipal utility district under the terms and provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The rights, powers, privileges, authority, and functions of the District are established and subject to the general laws of the State of Texas pertaining to municipal utility districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is empowered to purchase, construct, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, drainage and roads to serve the District. The Board of Directors held its organizational meeting on February 13, 2023.

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 Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

These classifications are defined as follows:

- Net Investment in Capital Assets – This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

- Unrestricted Net Position – This component of net position consists of net position 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 are eliminated by adjustment to obtain net total revenue and expense of the government-wide Statement of Activities.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

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 one governmental fund and considers it to be a major fund. The General Fund accounts for maintenance tax revenues, developer advances, professional fees and administrative costs.

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 with 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.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets and 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

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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 greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation over periods ranging from 10 to 50 years.

The District conveys completed water, wastewater, certain drainage and road facilities to the City of Fredericksburg (the "City") for ownership and maintenance of the facilities to service the full development of the District. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

Budgeting

An annual 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 budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. 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.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are 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 and does not have any assigned fund balances.

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.

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. BOND AUTHORIZATION

At an election held on May 6, 2023, voters authorized the issuance of bonds as follows: $54,000,000 for the purposes of acquiring or constructing water, sewer and drainage facilities, $26,000,000 for the purpose of acquiring or constructing roads, $54,000,000 in refunding bonds for water, sewer and drainage facilities and $26,000,000 in refunding bonds for roads.

NOTE 4. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions and natural disasters for which the District carries commercial insurance. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past two years.

NOTE 5. 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 in any fund 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 $36,458 and the bank balance was $59,850. The District was not exposed to custodial credit risk at year-end.

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.

As of August 31, 2025, the District had no investments.

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2025:

	September 1, 2024	Increases	Decreases	August 31, 2025
Capital Assets Subject to Depreciation				
Water System	$ 1,267,421	$	$	$ 1,267,421
Wastewater System	1,306,523			1,306,523
Drainage and Detention Facilities	1,336,100			1,336,100
Paving	5,263,091			5,263,091
Total Capital Assets Subject to Depreciation	$ 9,173,135	$ - 0 -	$ - 0 -	$ 9,173,135
Less Accumulated Depreciation				
Water System	$ 6,590	$ 28,165	$	$ 34,755
Wastewater System	7,779	29,034		36,813
Drainage and Detention Facilities	7,771	29,691		37,462
Paving	26,371	116,957		143,328
Total Accumulated Depreciation	$ 48,511	$ 203,847	$ - 0 -	$ 252,358
Total Depreciable Capital Assets, Net of Accumulated Depreciation	$ 9,124,624	$ (203,847)	$ - 0 -	$ 8,920,777

The District conveys completed water, wastewater, drainage (excluding detention facilities which will be owned by the District) and road facilities to the City for ownership and maintenance of the facilities. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

NOTE 7. MAINTENANCE TAX

On May 6, 2023, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed $1.00 per $100 of assessed valuation of taxable property within the District and a road maintenance tax in an amount not to exceed $0.25 per $100 of assessed valuation of taxable property within the District. The maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses. During the year ended August 31, 2025, the District levied an ad valorem maintenance tax of $1.00 per $100 of assessed valuation, which resulted in a tax levy of $79,557 on the adjusted taxable valuation of $7,955,685 for the 2024 tax year. To date, the District has not levied a road maintenance tax.

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. Penalties and interest attach thereafter.

NOTE 8. UNREIMBURSED DEVELOPER COSTS

The District has entered into a financing agreement with its developer for the financing of the construction of capital assets within the District. The developer funded capital assets are recorded on the District's financial statements upon completion of construction. As of August 31, 2025, the District recorded a developer liability of $9,505,635 consisting of operating advances made since inception of $332,500, of which $123,000 was received in the current fiscal year, and costs related to the construction of certain infrastructure within the District which totaled $9,173,135. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Commission, if applicable, and the Attorney General of the State of Texas or any other lawfully available funds.

NOTE 9. CITY CONSENT RESOLUTION

Pursuant to the City resolution consenting to creation of the District (the "City Consent Resolution"), plans and specifications for the construction of water, sanitary sewer, drainage and road facilities to serve the District must be approved by the City prior to commencement of construction. Following construction, the water, sanitary sewer, drainage (excluding detention facilities) and road facilities are owned, operated and maintained by the City. The District retains ownership of the detention facilities serving the land within the District. By law, the City has the right to dissolve the District and acquire the District's assets and assume the District's obligations. However, pursuant to the City Consent Resolution, the City will not dissolve the District until (i) all of the water, sanitary sewer, drainage and road facilities to serve the land within the District have been construction and (ii) the District has issued all of its ad valorem tax bonds and reimbursed the applicable developer, to the maximum extent permitted by law, for the developer's costs in installing and constructing the public water, sanitary sewer, drainage and road facilities serving the District.

NOTE 10. SUBSEQUENT EVENT

On October 14, 2025, the District issued Unlimited Tax Bonds, Series 2025, of $3,800,000 with interest rates ranging from 3.75% to 5.10%. The net proceeds were used to finance developer funded water, wastewater and drainage construction costs and water and wastewater impact fees, fund future interest payments on the bonds, and pay bond issuance costs.

NOTE 11. PRIOR PERIOD ADJUSTMENT

During the current fiscal year, it was determined that developer liabilities as of August 31, 2024, were overstated by $70,000 pertaining to developer advances requested but not received. As a result of this error, net position has been restated as follows:

Net Position - September 1, 2024	$	(314,947)
Effect of Correction		70,000
Net Position - September 1, 2024, As Restated	$	(244,947)

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

AUGUST 31, 2025

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND FOR THE YEAR ENDED AUGUST 31, 2025

	Actual	Original and Final Budget	Variance Positive (Negative)
REVENUES			
Property Taxes	$ 77,373	$	$ 77,373
Penalty and Interest	467		467
Investment Revenues	534		534
TOTAL REVENUES	$ 78,374	$ -0-	$ 78,374
EXPENDITURES			
Service Operations:			
Professional Fees	$ 146,988	$ 122,000	$ (24,988)
Contracted Services	41,795	11,000	(30,795)
Other	23,545	18,945	(4,600)
TOTAL EXPENDITURES	$ 212,328	$ 151,945	$ (60,383)
DEFICIENCY OF REVENUES UNDER EXPENDITURES	$ (133,954)	$ (151,945)	$ 17,991
OTHER FINANCING SOURCES			
Developer Advances	$ 123,000	$ 151,945	$ (28,945)
NET CHANGE IN FUND BALANCE	$ (10,954)	$ -0-	$ (10,954)
FUND BALANCE:			
Beginning of the year	13,064		
End of the year	$ 2,110		

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

SUPPLEMENTARY INFORMATION – REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

AUGUST 31, 2025

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED AUGUST 31, 2025

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

_____	Retail Water	_____	Wholesale Water	X	Drainage
_____	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads

_____ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)

_____ Other:

2. RETAIL SERVICE PROVIDERS

Pursuant to the City of Fredericksburg's (the "City") resolution consenting to the creation of the District, the District conveys completed water, wastewater, drainage (excluding detention facilities which will be owned by the District) and road facilities to the City for ownership and maintenance of the facilities. The City will provide water and wastewater service to customers within the District and maintain all roads, storm water and drainage facilities conveyed.

3. TOTAL WATER CONSUMPTION: NOT APPLICABLE

4. STANDBY FEES: NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes X No _____

County in which District is located:

Gillespie County, Texas

Is the District located within a city?

Entirely X Partly _____ Not at all _____

Corporate city limits in which District is located:

City of Fredericksburg, Texas

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

Entirely _____ Partly _____ Not at all X

Are Board Members appointed by an office outside the District?

Yes _____ No X

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025

PROFESSIONAL FEES:		
Auditing	$	11,000
Engineering		19,201
Legal		116,787
TOTAL PROFESSIONAL FEES	$	146,988
CONTRACTED SERVICES:		
Appraisal District	$	1,190
Bookkeeping		26,085
Tax Collector		3,600
Other		10,920
TOTAL CONTRACTED SERVICES	$	41,795
ADMINISTRATIVE EXPENDITURES:		
Director Fees, Including Payroll Taxes	$	7,375
Insurance		5,122
Office Supplies and Postage		3,729
Other		7,319
TOTAL ADMINISTRATIVE EXPENDITURES	$	23,545
TOTAL EXPENDITURES	$	212,328

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	Maintenance Taxes	
TAXES RECEIVABLE - SEPTEMBER 1, 2024	$ -0-	
Adjustments to Beginning Balance		$ -0-
Original 2024 Tax Levy	$ 79,101	
Adjustment to 2024 Tax Levy	456	79,557
TOTAL TO BE ACCOUNTED FOR		$ 79,557
TAX COLLECTIONS:		
Prior Years	$	
Current Year	77,373	77,373
TAXES RECEIVABLE - AUGUST 31, 2025		$ 2,184
TAXES RECEIVABLE BY YEAR:		
2024		$ 2,184

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025

	2024	2023
PROPERTY VALUATIONS:		
Land	$ 10,111,390	$ 7,724,520
Improvements	959,465	352,450
Exemptions	(3,115,170)	(5,001,220)
TOTAL PROPERTY VALUATIONS	$ 7,955,685	$ 3,075,750
TAX RATES PER $100 VALUATION:		
Maintenance	$ 1.00	$ 1.00
ADJUSTED TAX LEVY*	$ 79,557	$ 30,758
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	97.25 %	100.00 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax-Maximum tax rate of 1.00 per $100 of assessed valuation approved by voters May 6, 2023. An additional $0.25 per $100 of assessed valuation was approved by voters on May 6, 2023, for maintenance of road facilities.

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - THREE YEARS

	Amounts		
	2025	2024	2023 *
REVENUES			
Property Taxes	$ 77,373	$ 30,758	
Penalty and Interest	467	12,434	
Investment Revenues	534	33	
TOTAL REVENUES	$ 78,374	$ 43,225	$ - 0 -
EXPENDITURES			
Professional Fees	$ 146,988	$ 133,363	$ 61,616
Contracted Services	41,795	13,446	2,726
Other	23,545	20,558	7,952
Capital Outlay			
TOTAL EXPENDITURES	$ 212,328	$ 167,367	$ 72,294
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	$ (133,954)	$ (124,142)	$ (72,294)
OTHER FINANCING SOURCES (USES)			
Developer Advances	$ 123,000	209,500	
NET CHANGE IN FUND BALANCE	$ (10,954)	$ 85,358	$ (72,294)
BEGINNING FUND BALANCE (DEFICIT)	13,064	(72,294)	
ENDING FUND BALANCE (DEFICIT)	$ 2,110	$ 13,064	$ (72,294)

* Unaudited. First audit was for the 2024 fiscal year end.

See accompanying independent auditor's report.

Percentage of Total Revenues		
2025	2024	2023 *
98.7 %	71.1 %	%
0.6	28.8	
0.7	0.1	
100.0 %	100.0 %	N/A %
187.6 %	308.5 %	%
53.3	31.1	
30.0	47.6	
270.9 %	387.2 %	N/A %
(170.9) %	(287.2) %	N/A %

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

District Mailing Address - Gillespie County Municipal Utility District No. 1
c/o Allen Boone Humphries Robinson LLP
919 Congress Avenue, Suite 1500
Austin, TX 78701

District Telephone Number - (512) 518-2424

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended August 31, 2025	Expense Reimbursements for the year ended August 31, 2025	Title
Chelsea Osbourn	05/24 05/28 (Elected)	$ 1,989	$ -0-	President
Will Daves	05/23 05/26 (Elected)	$ 1,989	$ -0-	Vice President / Assistant Secretary
Kim Walker Behrends	05/23 05/26 (Elected)	$ 1,989	$ -0-	Secretary
Shelee Granberg Padgett	06/24 05/26 (Appointed)	$ 884	$ -0-	Assistant Vice President / Assistant Secretary

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: June 12, 2024

The limit on Fees of Office that a Director may receive during a fiscal year is $7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

GILLESPIE COUNTY MUNICIPAL UTILITY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
AUGUST 31, 2025

Consultants:	Date Hired	Fees for the year ended August 31, 2025	Title
Allen Boone Humphries Robinson LLP	02/13/23	$ 120,961	General Counsel
McCall Gibson Swedlund Barfoot Ellis PLLC	04/09/25	$ 11,000	Auditor
Municipal Accounts & Consulting, L.P.	02/13/23	$ 28,244	Bookkeeper
Jones-Heroy & Associates, Inc.	02/13/23	$ 19,334	Engineer
Robert W. Baird & Co, Inc.	09/06/23	$ -0-	Financial Advisor
Perdue, Brandon, Fielder, Collins & Mott, L.L.P.	05/15/23	$ 100	Delinquent Tax Attorney
Assessments of the Southwest, Inc.	05/15/23	$ 7,824	Tax Assessor

See accompanying independent auditor's report.

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin

Mike M. McCall
(retired)
Debbie Gibson
(retired)

November 12, 2025

Board of Directors
Gillespie County Municipal
Utility District No. 1
Gillespie County, Texas

In planning and performing our audit of the financial statements of Gillespie County Municipal Utility District No. 1 (the "District") as of and for the year ended August 31, 2025, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control. As such, our consideration of internal control would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements of the District's financial statements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weaknesses

Last year and again this year, we observed the following deficiencies in the District's internal control that we consider to be material weaknesses.

The District's management consists of an elected Board of Directors (the "Directors"). The day-to-day operations are performed by private companies ("Consultants") under contract with the District. The Directors of the District supervise the performance of the Consultants. The Consultants can be part of the District's system of internal control; however, the Consultants are not members of management. Ultimately, the Directors of the District are responsible for the design and implementation of the system of internal control.

As is common within the system of internal control of most small organizations, the accounting function of the District does not include the preparation of the financial statements complete with footnotes in accordance with generally accepted accounting principles. Accordingly, the District has not established internal controls over the preparation of its financial statements. This condition is considered to be a material weakness of the District's system of internal control.

Material Weaknesses (Continued)

During the course of performing an audit, it is not unusual for the auditor to prepare various journal entries to present the financial statements on the government-wide basis of accounting. Management's reliance upon the auditor to detect and make these necessary adjustments is considered to be a material weakness in internal control. In addition, the District's Management relies on the District's auditor to prepare the capital asset and depreciation schedules and post adjustments related to the presentation of the capital assets in the government-wide financial statements. This reliance on the auditor to perform this function is considered to be a material weakness in the system of internal control. Auditing standards does not make exceptions for reporting deficiencies that are adequately mitigated with nonaudit services rendered by the auditor or deficiencies for which the remedy would be cost prohibitive.

We agree with the objective of auditing standards to inform an organization of all the conditions in its internal control that interfere with its ability to record financial data reliably and issue financial statements free of material misstatement. Communication of the material weaknesses above helps to emphasize that the responsibility for financial reporting rests entirely with the organization and not the auditor.

Management's Response

The Board engages consultants who possess industry knowledge and expertise to provide financial services, as well as legal and professional engineering services. Based on the auditor's unmodified opinion and after reading the financial statements, the Board believes the financial statements to be materially correct. Based on the recommendation of its auditor, the Board does not think that the addition of an employee or consultant to oversee the annual financial reporting process is necessary nor would it be cost effective.

Conclusion

Management's written response to the material weaknesses identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the Board of Directors and the Texas Commission on Environmental Quality and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: $_____
Member Surplus Contribution: $ _____
Total Insurance Payment: $_____

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

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

SPECIMEN

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

SPECIMEN

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
28 Liberty Street, 59th Floor
New York, New York 10005
Telecopy:
212-962-1524 (attention: Claims)

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