

OFFICIAL STATEMENT DATED SEPTEMBER 7, 2023

NEW ISSUE -BOOK-ENTRY-ONLY

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

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

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

**\$3,270,000**

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**  
**UNLIMITED TAX BONDS, SERIES 2023**

**Dated: October 12, 2023**

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

Interest on the \$3,270,000 Round Rock Municipal Utility District No. 2 Unlimited Tax Bonds, Series 2023 (the “Bonds”) will accrue from the Date of Initial Delivery, defined below, and is payable March 1, 2024 and each September 1 and March 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrars for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”). The Bonds are obligations solely of Round Rock Municipal Utility District No. 2 (the “District”) and are not obligations of the City of Round Rock, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District.

The payment of the principal of and interest on the Bonds, when due, will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”)**. See “BOND INSURANCE.”



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

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

The Bonds are offered by the initial purchaser (the “Initial Purchaser”) subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchaser, subject, among other things, to the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel to the District. Delivery of the Bonds is expected through the facilities of DTC on or about October 12, 2023 (the “Date of Initial Delivery”) in Austin, Texas.

**MATURITIES**  
(Due September 1)

CUSIP Prefix: 77924Q

Due	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Suffix <sup>(c)</sup>	Due	Principal Amount	Interest Rate <sup>(a)</sup>	Initial Reoffering Yield <sup>(b)</sup>	CUSIP Suffix <sup>(c)</sup>
2025	\$ 5,000	6.500%	3.750%	BY8	2039 *	\$ 120,000	5.000%	4.400%	CN1
2026	5,000	6.500%	3.750%	BZ5	2040 *	130,000	5.000%	4.500%	CP6
2027	5,000	6.500%	3.750%	CA9	**	**	**	**	**
2028	65,000	6.500%	3.750%	CB7	2043 *	155,000	4.500%	4.620%	CS0
2029	65,000	6.500%	3.800%	CC5	2044 *	165,000	4.500%	4.630%	CT8
**	**	**	**	**	2045 *	175,000	4.500%	4.640%	CU5
**	**	**	**	**	2046 *	190,000	4.500%	4.650%	CV3
2036 *	100,000	6.375%	4.000%	CK7	2047 *	200,000	4.500%	4.660%	CW1
2037 *	105,000	5.000%	4.200%	CL5	2048 *	925,000	4.500%	4.670%	CX9
2038 *	110,000	5.000%	4.300%	CM3					
<p>\$295,000 6.500%<sup>(a)</sup> Term Bond due September 1, 2033* Yield 3.850%<sup>(b)</sup> CUSIP Suffix CG6<sup>(c)</sup></p> <p>\$175,000 6.500%<sup>(a)</sup> Term Bond due September 1, 2035* Yield 3.900%<sup>(b)</sup> CUSIP Suffix CJ0<sup>(c)</sup></p> <p>\$280,000 4.500%<sup>(a)</sup> Term Bond due September 1, 2042* Yield 4.600%<sup>(b)</sup> CUSIP Suffix CR2<sup>(c)</sup></p>									

\* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2033, in whole or from time to time in part, on September 1, 2029, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Term Bonds maturing September 1, 2033, September 1, 2035, and September 1, 2042 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.005162% of par, resulting in a net effective interest rate to the District of 4.928132%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first optional redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. Neither the Initial Purchaser, the District, nor Public Finance Group LLC, the District's financial advisor (the "Financial Advisor"), is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

**BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM") MAKES NO REPRESENTATION REGARDING THE BONDS OR THE ADVISABILITY OF INVESTMENT IN THE BONDS. IN ADDITION, BAM HAS NOT INDEPENDENTLY VERIFIED, MAKES NO REPRESENTATION REGARDING, AND DOES NOT ACCEPT ANY RESPONSIBILITY FOR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT OR ANY INFORMATION OR DISCLOSURE CONTAINED HEREIN, OR OMITTED HEREFROM, OTHER THAN WITH RESPECT TO THE ACCURACY OF THE INFORMATION REGARDING BAM SUPPLIED BY BAM AND PRESENTED UNDER THE HEADINGS "BOND INSURANCE" AND "APPENDIX C – SPECIMEN MUNICIPAL BOND INSURANCE POLICY."**

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**TABLE OF CONTENTS**

USE OF INFORMATION IN OFFICIAL STATEMENT .....	4	THE SYSTEM.....	33
SALE AND DISTRIBUTION OF THE BONDS .....	4	Regulation.....	33
Award of the Bonds.....	4	Water Supply and Distribution and Wastewater Collection and	
Prices and Marketability.....	4	Treatment.....	33
Securities Laws .....	5	Storm Drainage .....	33
MUNICIPAL BOND RATING .....	5	100-Year Flood Plain .....	33
BOND INSURANCE .....	5	Water, Wastewater, and Drainage Operations - Rate and Fee	
Bond Insurance Policy.....	5	Schedule .....	34
Build America Mutual Assurance Company .....	5	Operating Revenues and Expenses Statement - Table 2.....	35
OFFICIAL STATEMENT SUMMARY.....	7	DEBT SERVICE REQUIREMENTS – TABLE 3 .....	36
THE DISTRICT.....	7	FINANCIAL STATEMENT .....	37
THE BONDS .....	8	Assessed Value – Table 4.....	37
RISK FACTORS .....	10	Unlimited Tax Bonds Authorized but Unissued - Table 5.....	37
SELECTED FINANCIAL INFORMATION.....	10	Outstanding Bonds - Table 6.....	38
OFFICIAL STATEMENT.....	11	Cash and Investment Balances - Table 7.....	38
INTRODUCTION .....	11	Investment Authority and Investment Practices of the District .....	38
THE BONDS .....	11	Current Investments - Table 8.....	40
General Description.....	11	Estimated Overlapping Debt Statement.....	40
Redemption .....	11	Overlapping Taxes for 2022.....	41
Selection of Bonds for Redemption.....	12	TAX DATA.....	41
DTC Redemption Provision .....	12	Classification of Assessed Valuation - Table 9 .....	41
Termination of Book-Entry-Only System .....	13	Tax Collections - Table 10.....	41
Authority for Issuance.....	13	District Tax Rates - Table 11 .....	42
Source of and Security for Payment .....	14	Debt Service Tax.....	42
Payment Record .....	14	Maintenance Tax.....	42
Flow of Funds .....	14	Principal Taxpayers - Table 12.....	42
Paying Agent/Registrar .....	15	Tax Adequacy for Debt Service.....	42
Defeasance of Outstanding Bonds.....	15	Debt Service Fund Management Index .....	43
Record Date.....	16	TAXING PROCEDURES .....	43
Issuance of Additional Debt.....	16	Authority to Levy Taxes .....	43
Legal Investment and Eligibility to Secure Public Funds in Texas.....	16	Property Tax Code and County Wide Appraisal District.....	43
Specific Tax Covenants.....	16	Property Subject to Taxation by the District .....	43
Additional Covenants.....	16	Valuation of Property for Taxation .....	44
Remedies in Event of Default.....	17	District and Taxpayer Remedies .....	45
Consolidation .....	17	Levy and Collection of Taxes.....	45
Dissolution .....	17	Tax Payment Installments .....	45
Alteration of Boundaries .....	17	Rollback of Operation and Maintenance Tax Rate.....	45
Approval of the Bonds .....	18	District’s Rights In The Event Of Tax Delinquencies .....	46
Amendments to the Bond Order.....	18	Effect of FIRREA on Tax Collections.....	46
BOOK-ENTRY-ONLY SYSTEM.....	18	2023 Legislative Session.....	47
USE AND DISTRIBUTION OF BOND PROCEEDS .....	20	LEGAL MATTERS.....	47
RISK FACTORS .....	21	Legal Opinions.....	47
General.....	21	No-Litigation Certificate.....	47
Factors Affecting Taxable Values and Tax Payments .....	21	No Material Adverse Change .....	47
Tax Collections and Foreclosure Remedies.....	22	TAX MATTERS .....	47
Marketability.....	22	Opinion .....	47
No Certainty of a Secondary Market.....	22	Federal Income Tax Accounting Treatment of Original Issue	
Bankruptcy Limitation to Registered Owners’ Rights.....	23	Discount.....	48
The Effect of the Financial Institutions Act of 1989 on Tax		Collateral Federal Income Tax Consequences.....	48
Collections of the District .....	23	State, Local, and Foreign Taxes .....	49
Continuing Compliance with Certain Covenants.....	23	Information Reporting and Backup Withholding .....	49
Future Debt .....	23	Future and Proposed Legislation .....	49
Governmental Approval .....	24	Qualified Tax-Exempt Obligations for Financial Institutions.....	49
No Requirement to Build on Developed Lots.....	24	CONTINUING DISCLOSURE OF INFORMATION .....	50
Forward-Looking Statements .....	24	Annual Reports .....	50
Storm Water .....	24	Notice of Certain Events .....	50
Potential Impact of Natural Disaster.....	24	Availability of Information from the MSRB .....	51
Environmental Regulation.....	25	Limitations and Amendments .....	51
Future and Proposed Legislation .....	26	Compliance with Prior Undertakings .....	51
Future and Proposed State Legislation .....	26	FINANCIAL ADVISOR .....	51
Bond Insurance Risks.....	26	OFFICIAL STATEMENT.....	51
LOCATION MAP .....	28	Preparation .....	51
THE DISTRICT.....	29	Consultants and Sources.....	52
General.....	29	Updating the Official Statement during Underwriting Period .....	52
Management.....	29	Certification as to Official Statement .....	52
Location .....	30	Annual Audits .....	52
Historical and Current Status of Development of the District.....	30	PHOTOGRAPHS .....	
Future Development.....	30	APPENDIX A –Audited Financial Statements of the District for the	
Consent Agreement with the City of Round Rock.....	31	fiscal year ended September 30, 2022	
THE DEVELOPERS .....	31	APPENDIX B – Form of Bond Counsel’s Opinion	
Role of Developer .....	31	APPENDIX C– Specimen Municipal Bond Insurance Policy	
Description of the Developers.....	31		
Acquisition and Development Financing .....	32		
Homebuilders within the District .....	32		
Utility Construction Agreements.....	32		
Agricultural Waiver.....	32		

## USE OF INFORMATION IN OFFICIAL STATEMENT

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any 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.

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion or as to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of 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 the other matters described herein since the date hereof.

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

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

## SALE AND DISTRIBUTION OF THE BONDS

### Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.005162% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

### Prices and Marketability

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

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

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

## **Securities Laws**

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

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

The statements contained in this Official Statement, and in other information provided by the District, that are not purely historical, are forward-looking statements, including regarding the District's expectations, hopes, intentions, or strategies regarding the future. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "RISK FACTORS – Forward-Looking Statements."

## **MUNICIPAL BOND RATING**

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") assigned the insured rating of "AA" (stable outlook) to the Bonds as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer") at the time of delivery of the Bonds.

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

## **BOND INSURANCE**

### **Bond Insurance Policy**

Concurrently, with the issuance of the Bonds, 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 solely to issuers in the U.S. public finance markets. BAM will only insure municipal bonds, as defined in Section 6901 of the New York Insurance Law, which are most often issued by states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

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

BAM's financial strength is rated "AA/Stable" by S&P 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 [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the 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, 2023 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$486.0 million, \$204.5 million and \$281.5 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

**Credit Insights Videos.** For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at [www.buildamerica.com/videos](http://www.buildamerica.com/videos). (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

*[The remainder of this page intentionally left blank]*

## OFFICIAL STATEMENT SUMMARY

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

### THE DISTRICT

The District ..... Round Rock Municipal Utility District No. 2 (the “District”), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), effective January 16, 2020, and confirmed pursuant to an election held within the District on November 3, 2020. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, and to collect and treat wastewater and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The District also has road powers under Section 54.234 of the Texas Water Code. The District contains approximately 200.87 acres. See “THE DISTRICT – General.”

Location ..... The District is located entirely within the corporate limits of the City of Round Rock, Texas (“Round Rock” or the “City”). The District is approximately three miles northeast of downtown Round Rock, ten miles south of the City of Georgetown, six miles west of the City of Hutto, and approximately one-half mile north of U.S. Highway 79. An extension of Kenney Fort Boulevard traverses the southern portion of the District in a southwesterly to northeasterly direction. Chandler Creek traverses the southern part of the District in a west to east direction. See “LOCATION MAP.”

The Developers ..... The developers currently active within the District are Meritage Homes of Texas, LLC (“Meritage”), an Arizona limited liability company, and Tri Pointe Homes Texas, Inc. (“Tri Pointe”), a Texas corporation. Meritage and Tri Pointe co-own most of the land within the District and are jointly developing such land pursuant to a Joint Ownership and Development Agreement under which Meritage serves as the development manager. Meritage separately owns 30 acres within the District which Meritage is developing individually. Meritage and Tri Pointe are sometimes referred to individually as a “Developer” and collectively as the “Developers.” See “THE DISTRICT – Historical and Current Status of Development.”

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

The Bonds are obligations of the District and are not obligations of the City, the County, the State, the Developers (or any member, owner, shareholder, officer, general partner, parent, or affiliate of the Developers), or any entity other than the District. See “THE DEVELOPERS.”

Status of Development ..... The District contains approximately 200.87 acres, of which approximately 167.73 acres are developable. As of June 1, 2023, approximately 167.73 acres of land within the District (or 100% of the developable acres within the District) have been developed with utility facilities as the single family residential subdivision Homestead at Old Settlers Park, Phases 1 through 8 and Phase 10, which encompass a total of 481 single-family lots and 133 townhome lots, which include 273 completed single-family homes, 65 single-family homes under construction, 143 vacant single-family lots, 34 townhomes under construction, and 99 vacant townhome lots. The District also contains an amenity center on approximately 2.76 acres within Homestead at Old Settlers Park, Phase 2, which includes a pool, pavilion, and playscape. “THE DISTRICT – Historical and Current Status of Development” and “THE DISTRICT – Location Map.”

Homebuilders ..... According to the Developers, Meritage and Tri Pointe are the only homebuilders within the District. According to Meritage, Meritage’s homes range in price from \$390,990 to \$571,990, with square footage ranging from 1,478 to 2,812. According to Tri Pointe, Tri Pointe’s homes range in price from \$429,990 to \$774,990, with square footage ranging from 1,716 to 2,969. See “THE DEVELOPERS – Homebuilders within the District.”

## THE BONDS

Description .....	The Bonds in the aggregate principal amount of \$3,270,000 mature serially in varying amounts on September 1 of each year from 2025 through 2029, inclusive, 2036 through 2040, inclusive, 2043 through 2048, inclusive, and as Term Bonds which mature September 1, 2033, September 1, 2035 and September 1, 2042, as set forth on the inside cover page hereof. Interest accrues from the Date of Initial Delivery (expected to be on or about October 12, 2023) at the rates per annum set forth on the inside cover page hereof and is payable March 1, 2024 and each September 1 and March 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS - General Description.”
Redemption .....	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2033, in whole or from time to time in part, on September 1, 2029, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Additionally, the Term Bonds maturing September 1, 2033, September 1, 2035, and September 1, 2042 are also subject to mandatory sinking fund redemption. See “THE BONDS - Redemption.”
Source of Payment .....	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount levied upon all taxable property within the District. See “TAXING PROCEDURES.” <b>The Bonds are obligations solely of the District and are not obligations of the City of Round Rock, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District.</b> See “THE BONDS - Source of and Security for Payment.”
Payment Record .....	The Bonds constitute the third (3 <sup>rd</sup> ) installment of bonds issued by the District. The District has not defaulted on the timely payment of principal of and interest on its previously issued obligations entitled: “\$6,500,000 Unlimited Tax Bonds, Series 2022” and “\$3,500,000 Unlimited Tax Road Bonds, Series 2022A,” the proceeds of which included up to twenty-four (24) months of capitalized interest. After the issuance of the Bonds, the District will have \$13,270,000 aggregate principal amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6.” Additionally, the District is currently in the process of issuing its \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.
Authority for Issuance .....	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 3, 2020; an approving Order of the TCEQ; and an order adopted by the Board of Directors of the District authorizing the sale of the Bonds on the date of the sale of the Bonds. See “THE BONDS - Authority for Issuance.”
Use of Proceeds.....	<p>The proceeds of the Bonds will be used to finance a portion of the District’s share of: (i) a portion of the Homestead at Old Settlers Park, Phases 1 and 2 water, wastewater, drainage facilities serving the District; (ii) engineering and testing fees related to item no. 1; (iii) City of Round Rock review fees related to item no. 1; (iv) City of Round Rock water impact fees; and (v) City of Round Rock wastewater impact fees.</p> <p>The remaining Bond proceeds will be used to: (i) capitalize up to approximately twenty-four (24) months’ interest requirements on the Bonds; (ii) pay developer interest; (iii) pay certain engineering costs; (iv) pay operating costs; and (v) pay other costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”</p>
Bonds Authorized But Unissued.....	At an election held within the District on November 3, 2020, voters within the District authorized a total of \$26,715,000 in aggregate principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities serving the District. The District has agreed in the Consent Agreement (as defined herein) that the total amount of bonds to be issued will be limited to an amount (excluding refunding bonds) not to exceed approximately \$24,575,000 without further approval from the City Council. See “THE DISTRICT – Consent Agreement with the City of Round Rock.” The Bonds constitute the second (2 <sup>nd</sup> ) installment of new money unlimited tax bonds for water, wastewater, and drainage facilities. After the issuance of the Bonds, the District will have \$16,945,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities, subject to the limitations set forth in the Consent Agreement. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5” and “THE BONDS.” Additionally, at the election held in the District on November 3, 2020, the voters within the District also approved the issuance of \$20,425,000 aggregate principal amount of new money unlimited tax bonds for the acquisition and construction of road improvements. The District has previously issued \$3,500,000 aggregate principal amount of unlimited tax bonds for the acquisition and construction of road improvements. The District has \$16,925,000 aggregate principal amount of new money tax bonds



that remain authorized but unissued for road improvements, subject to the limitations set forth in the Consent Agreement. Additionally, at the election held in the District on November 3, 2020, the voters within the District also approved the issuance of unlimited tax bonds for recreational facilities in the aggregate principal amount of \$3,760,000, all of which remains authorized but unissued. See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6” and “THE BONDS – Issuance of Additional Debt.” Additionally, the District is currently in the process of issuing its \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

Municipal Bond Rating and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) assigned the insured rating of “AA” (stable outlook) to the Bonds as a result of a municipal bond insurance policy to be issued by Build America Mutual Assurance Company (“BAM” or the “Insurer”) at the time of delivery of the Bonds.
Qualified Tax-Exempt Obligations .....	The District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2023 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions.”
General Counsel .....	Armbrust & Brown, PLLC, Austin, Texas.
Bond Counsel and Disclosure Counsel .....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
Financial Advisor .....	Public Finance Group LLC, Austin, Texas.
Engineer.....	Musser Engineering Associates, Inc. d/b/a Kitchen Table Civil Solutions, Austin, Texas.
Paying Agent / Registrar .....	UMB Bank, N.A., Austin, Texas.

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## RISK FACTORS

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

### SELECTED FINANCIAL INFORMATION

(Unaudited)

2023 Certified Assessed Valuation		\$ 125,388,176	(a)
Estimated Assessed Valuation as of June 1, 2023		\$ 152,700,000	(b)
Gross Debt Outstanding (after issuance of the Bonds)		\$ 13,270,000	(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation		10.58%	
Ratio of Gross Debt to Estimated Assessed Valuation as of June 1, 2023		8.69%	
2023 Tax Rate			
Debt Service	\$	0.3360	
Maintenance		<u>0.1750</u>	
<b>Total 2023 Tax Rate</b>		<u><u>\$ 0.5110</u></u>	(d)
Debt Service Fund Balance (September 7, 2023)	\$	534,459	(e)
Percentage of current tax collections (Tax Years 2020-2022)		100.00%	(f)
Percentage of total tax collections (Tax Years 2020-2022)		100.00%	(f)
Average Annual Debt Service Requirement of the Bonds ("Average Requirement") (2024-2048, inclusive)	\$	952,227	(g)
Tax Rate required to pay Average Requirement based upon 2023 Certified Assessed Valuation at 95% collections	\$	0.80	/\$100 AV
Tax Rate required to pay Average Requirement based upon Estimated Assessed Valuation as of June 1, 2023 at 95% collections	\$	0.66	/\$100 AV
Projected Maximum Annual Debt Service Requirement of the Bonds ("Maximum Requirement") (2028)	\$	981,719	(g)
Tax Rate required to pay Maximum Requirement based upon 2023 Certified Assessed Valuation at 95% collections	\$	0.83	/\$100 AV
Tax Rate required to pay Maximum Requirement based upon Estimated Assessed Valuation as of June 1, 2023 at 95% collections	\$	0.68	/\$100 AV
Number of active connections as of June 1, 2023			
Single Family - Complete and Occupied		273	
Single Family - Builder		<u>99</u>	
<b>Total Number of Active Connections</b>		<b>372</b>	
Estimated Population as of June 1, 2023		819	(h)

(a) The certified assessed valuation as of January 1, 2023, as provided by the Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."

(b) The estimated assessed valuation as of June 1, 2023, as provided by WCAD, is included solely for purposes of illustration. No taxes will be levied on this assessed valuation unless it is certified by WCAD. See "TAXING PROCEDURES."

(c) Includes the Bonds. Does not include the District's \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

(d) The District's Board, at its meeting on September 7, 2023, levied a total tax rate of \$0.5110. Additionally, the District is currently in the process of issuing its \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023. See "TAXING PROCEDURES."

(e) Unaudited as of September 7, 2023. Does not include approximately twenty-three (23) months of capitalized interest (\$310,650) included in the Bond proceeds, to be deposited into the District's Debt Service Fund upon closing. Consists only of capitalized interest funded out of proceeds from the District's Unlimited Tax Bonds, Series 2022 and Unlimited Tax Road Bonds, Series 2022A. Additionally, the District is currently in the process of issuing its \$1,625,000 Unlimited Tax Road Bonds, Series 2023A. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District's Debt Service Fund.

(f) See "TAX DATA – Tax Collections."

(g) See "DEBT SERVICE REQUIREMENTS – TABLE 3."

(h) Based upon 3.0 residents per completed and occupied single family home.

**OFFICIAL STATEMENT**  
relating to  
**\$3,270,000**  
**Round Rock Municipal Utility District No. 2**  
**(A Political Subdivision of the State of Texas Located in Williamson County, Texas)**  
**UNLIMITED TAX BONDS, SERIES 2023**

**INTRODUCTION**

This Official Statement provides certain information in connection with the issuance by Round Rock Municipal Utility District No. 2 (the “District”), a political subdivision of the State of Texas (the “State”), of its \$3,270,000 Unlimited Tax Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District on the date of the sale of the Bonds (the “Bond Order”), Article XVI, Section 59 of the Texas Constitution, and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 3, 2020; and an approving order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

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

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

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

**THE BONDS**

**General Description**

The Bonds will bear interest from the Date of Initial Delivery (expected to be on or about October 12, 2023) and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on March 1, 2024, and each September 1 and March 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

**Redemption**

*Optional Redemption...* The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2033, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption.

*Mandatory Sinking Fund Redemption....* In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2033, September 1, 2035, and September 1, 2042 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates, and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

<b>\$295,000 Term Bond Maturing September 1, 2023</b>	
Mandatory Redemption <u>Date</u>	Principal <u>Amount</u>
2030	\$ 65,000
2031	75,000
2032	75,000
2033*	80,000

<b>\$175,000 Term Bond Maturing September 1, 2035</b>	
Mandatory Redemption <u>Date</u>	Principal <u>Amount</u>
2034	\$ 85,000
2035*	90,000

<b>\$280,000 Term Bond Maturing September 1, 2042</b>	
Mandatory Redemption <u>Date</u>	Principal <u>Amount</u>
2041	\$ 135,000
2042*	145,000

\*Stated Maturity

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

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

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

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

### **Selection of Bonds for Redemption**

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

### **DTC Redemption Provision**

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

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

### **Termination of Book-Entry-Only System**

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

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

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

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

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

### **Authority for Issuance**

At an election held within the District on November 3, 2020, voters within the District authorized a total of \$26,715,000 in aggregate principal amount of new money unlimited tax bonds for the purpose of acquiring or constructing water, wastewater, and drainage facilities serving the District. The District has agreed in the Consent Agreement (as defined herein) that the total amount of bonds to be issued will be limited to an amount (excluding refunding bonds) not to exceed approximately \$24,575,000 without further approval from the City Council. See “THE DISTRICT – Consent Agreement with the City of Round Rock.” The Bonds constitute the second (2<sup>nd</sup>) installment of bonds issued by the District for water, wastewater, and drainage facilities. After the issuance of the Bonds, the District will have \$16,945,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for the purpose of acquiring and constructing water, wastewater, and drainage facilities, subject to the limitations set forth in the Consent Agreement. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5” and “THE BONDS.” Additionally, at the election held in the District on November 3, 2020, the voters within the District also approved the issuance of \$20,425,000 aggregate principal amount of new money bonds for the acquisition and

construction of road improvements. The District has previously issued \$3,500,000 aggregate principal amount of unlimited tax bonds for the acquisition and construction of road improvements. The District has \$16,925,000 aggregate principal amount of new money unlimited tax bonds that remain authorized but unissued for road improvements, subject to the limitations set forth in the Consent Agreement. Additionally, at the election held in the District on November 3, 2020, the voters within the District approved the issuance of unlimited tax bonds in the aggregate principal amount of \$3,760,000 for the purpose of acquiring or constructing recreational facilities, all of which remains authorized but unissued.

The Bonds are issued pursuant to the terms and provisions of the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ.

Additionally, the District is currently in the process of issuing its \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

### **Source of and Security for Payment**

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

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

### **Payment Record**

The Bonds constitute the third (3<sup>rd</sup>) installment of bonds issued by the District. The District has not defaulted on the timely payment of principal of and interest on its previously issued obligations entitled: "\$6,500,000 Unlimited Tax Bonds, Series 2022" and "\$3,500,000 Unlimited Tax Road Bonds, Series 2022A," the proceeds of which included up to twenty-four (24) months of capitalized interest. After the issuance of the Bonds, the District will have \$13,270,000 aggregate principal amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6." Additionally, the District is currently in the process of issuing its \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

### **Flow of Funds**

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

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

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

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

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

## **Paying Agent/Registrar**

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

Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination;

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

## **Defeasance of Outstanding Bonds**

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

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

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

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

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

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

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

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

#### **Record Date**

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

#### **Issuance of Additional Debt**

The District may issue bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ, if applicable, and, in the case of bonds payable from taxes, the District's voters. See "THE BONDS – Authority for Issuance" for details regarding authorized but unissued Bonds of the District. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security for the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds is subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

#### **Legal Investment and Eligibility to Secure Public Funds in Texas**

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes, or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes, or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions, and instrumentalities of the State. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the bonds may have to be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See "NO MUNICIPAL BOND RATINGS OR BOND INSURANCE."

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

#### **Specific Tax Covenants**

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

#### **Additional Covenants**

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



## **Remedies in Event of Default**

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

## **Consolidation**

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

## **Dissolution**

The District lies entirely within the corporate limits of Round Rock. Under Texas law, the District may be dissolved in whole, but not in part, by the City without the consent of the District, if the conditions for dissolution in the Consent Agreement have been satisfied pursuant to Section 43.0715, Texas Local Government Code. If the District is dissolved, the City must assume the assets, functions, and obligations of the District, including the Bonds. No representation is made concerning the likelihood of dissolution or the ability of the City to make debt service payments should dissolution occur.

## **Alteration of Boundaries**

In certain circumstances, under Texas law the District may alter its boundaries to: (i) upon satisfying certain conditions, annex additional territory; and (ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by

District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

### **Approval of the Bonds**

The TCEQ approved the issuance of the Bonds by an order signed on July 19, 2023 (the “TCEQ Order”).

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not pass upon or guarantee the quality of the Bonds as an investment, nor does he pass upon the adequacy or accuracy of the information contained in this Official Statement.

### **Amendments to the Bond Order**

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

### **BOOK-ENTRY-ONLY SYSTEM**

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

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

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

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

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

not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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## USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance a portion of the District's share of: (i) a portion of the Homestead at Old Settlers Park, Phases 1 and 2 water, wastewater, and drainage facilities serving the District; (ii) engineering and testing fees related to item no. 1; (iii) City of Round Rock review fees related to item no. 1; (iv) City of Round Rock water impact fees; and (v) City of Round Rock wastewater impact fees. The remaining Bond proceeds will be used to: (i) capitalize up to approximately twenty-four (24) months' interest requirements on the Bonds; (ii) pay developer interest; (iii) pay certain engineering costs; (iv) pay operating costs; and (v) pay other costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$2,246,274 is required for construction costs, and \$1,023,726 is required for non-construction costs, including \$310,650 of capitalized interest (approximately twenty-three (23) months' interest at 4.928132%).

### Construction Costs

#### A. Developer Contribution Items

1. Homestead at Old Settler Park, Phases 1 and 2, W, WW, and D Facilities	\$ 1,530,000
2. Engineering (8.47% of item no. 1)	129,642
3. City of Round Rock review fee (2.85% of item no. 1)	43,662

<b>Total Developer Contribution Items</b>	<b>\$ 1,703,304</b>
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#### B. District Contribution Items

1. City of Round Rock Water Impact Fees (90 x \$4,234)	\$ 381,060
2. City of Round Rock Wastewater Impact Fees (90 x \$1,799)	161,910

<b>Total District Contribution Items</b>	<b>\$ 542,970</b>
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<b>Total Construction Costs</b>	<b>\$ 2,246,274</b>
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### Non-Construction Costs

A. Bond Counsel Fee (1.63%)	\$ 57,550
B. General Counsel Fee (1.5%)	49,050
C. Fiscal Agent Fees (2.5%)	81,750
D. Interest Costs	
1. Capitalized Interest (approximately 23 months @ 4.928132%)	310,650
2. Developer Interest <sup>(a)</sup>	276,698
E. Bond Discount (2.994838%)	97,931
F. Bond Issuance Expenses	48,483
G. Operating Advances	45,000
H. Bond Application Report Cost	45,000
I. Attorney General's Fee (0.10%)	3,270
J. TCEQ Bond Issuance Fee (0.25%)	8,175
K. Contingency <sup>(b)</sup>	169

<b>Total Non-Construction Costs</b>	<b>\$ 1,023,726</b>
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<b>TOTAL BOND ISSUE REQUIREMENT</b>	<b>\$ 3,270,000</b>
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(a) Preliminary; subject to change. The amount of developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

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

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## RISK FACTORS

### General

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

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

### Factors Affecting Taxable Values and Tax Payments

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

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

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

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

*Developers under No Obligation to the District:* There is no commitment from, or obligation of, any developer to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner’s right to sell its land. Failure to construct taxable improvements on developed lots and tracks and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developers and other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. The District makes no prediction as to the effects of inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental, or otherwise, may have on the plans of the Developers. Neither the Developers nor any subsidiaries, if any, are obligated to pay principal of or interest on the Bonds. Furthermore, the Developers have no binding commitment to the District to carry out any plans of development in the District, and the furnishing of information related to proposed development by a Developer should not be interpreted as such a commitment. See “THE DEVELOPERS” and “TAX DATA - Principal Taxpayers – Table 12.”

*Impact on District Tax Rates:* Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2023 Certified Assessed Valuation of the District was \$125,388,179. After issuance of the Bonds, the Maximum Requirement will be \$981,719 (2028) and the Average Requirement will be \$952,227 (2024 through 2048, inclusive). Assuming (1) no increase or decrease from the 2023 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the payment of debt service, tax rates of \$0.83 and \$0.80 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District’s Estimated Assessed Valuation as of June 1, 2023, is \$152,700,000. Based upon the assumptions above and the Estimated Assessed Valuation as of June 1, 2023, tax rates of \$0.68 and \$0.60 per \$100 assessed valuation at a

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

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

The two principal taxpayers in the District, Meritage Homes of Texas, LLC and Tri-Pointe Homes Texas Inc., which are both the Developers and homebuilders within the District, represent a combined \$19,461,778 or 15.15% of the District’s 2023 Certified Taxable Assessed Valuation. If the Developers or homebuilders (or other principal taxpayer) were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See “Tax Collection Limitations and Foreclosure Remedies” in this section, “TAX DATA – Principal Taxpayers – Table 12,” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

*Undeveloped Acreage . . .* All developable land within the District has been provided with water, wastewater, and storm drainage and detention facilities as of June 1, 2023. See “THE BONDS – Alteration of Boundaries” and “THE DISTRICT – Status of Development.”

*Development and Home Construction in the District . . .* As of June 1, 2023, approximately 242 developed lots within the District remain available for construction between Meritage and Tri Pointe, who develop the lots and split those lots between themselves. Failure of the Developers and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. See “Impact on District Tax Rates” above.

**Tax Collections and Foreclosure Remedies**

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

**Marketability**

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

**No Certainty of a Secondary Market**

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

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## **Bankruptcy Limitation to Registered Owners' Rights**

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

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A Federal bankruptcy court is a court of equity and Federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owners' claim.

If a petitioning district were allowed to proceed voluntarily under Chapter 9 of the Federal Bankruptcy Code, it could file a plan for an adjustment of its debts. If such a plan were confirmed by the bankruptcy court, it could, among other things, affect a registered owner by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the registered owner's claim against a district. A district may not be forced into bankruptcy involuntarily.

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

The "Financial Institutions Reform, Recovery, and Enforcement Act of 1989" ("FIRREA"), enacted on August 9, 1989, contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens, and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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

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

## **Continuing Compliance with Certain Covenants**

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

## **Future Debt**

As of June 1, 2023, approximately 167.73 acres of land within the District have been developed with utility facilities by the Developers, including an amenity center on approximately 2.76 acres of land within Homestead at Old Settlers Park, Phase 2. According to information obtained by Musser Engineering Associates, Inc. d/b/a Kitchen Table Civil Solutions, (the "Engineer"), the Developers have advanced approximately \$26,700,000 in construction and engineering costs, of which approximately \$12,200,000 will remain owing to the Developers after the issuance of the Bonds.

Therefore, the Developers are owed additional funds with reimbursements expected to be made from the proceeds of future installments of bonds over the next several years, including the District's \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023. Each future issue of bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate) see "THE DEVELOPERS – Utility Development Agreements." The principal amount of park bonds sold by the District is limited to 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under

TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District does not employ any formula with respect to assessed valuations, tax collections, or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional utility bonds is subject to approval by the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District. See “THE BONDS – Issuance of Additional Debt.”

The District has reserved in the Bond Order the right to issue the remaining authorized but unissued bonds approved by the voters. See “THE BONDS – Authority for Issuance.” All of the remaining unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Board, the Attorney General of the State of Texas, and the TCEQ, as applicable.

### **Governmental Approval**

As required by law, engineering plans, specifications, and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on July 19, 2023 (the “TCEQ Order”). In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

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

### **No Requirement to Build on Developed Lots**

Currently, there is no requirement that builders owning developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

### **Forward-Looking Statements**

The statements contained in this Official Statement, and in any other information provided by the District, that are not purely historical, are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements.

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

### **Drought Conditions**

Central Texas, like other areas of the State, experiences drought conditions. The City provides water to the retail customers within the District in amounts sufficient to service the residents of the District; however, as drought conditions occur, the City’s water usage and rates could be impacted.

### **Storm Water**

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSTEM – 100-Year Flood Plain.”

### **Potential Impact of Natural Disaster**

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



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

## **Environmental Regulation**

Water and wastewater facilities acquired by the District from the Developers are transferred to the City for ownership and operation. The City provides retail water and wastewater service to residents in the District. The City also owns and operates the drainage facilities built by the Developers. Wastewater treatment and water supply facilities are subject to stringent and complex environmental laws and regulations. Facilities must comply with environmental laws at the federal, state, and local levels. These laws and regulations can restrict or prohibit certain activities that affect the environment in many ways such as:

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

Compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Sanctions against a water district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements, and issuance of injunctions as to future compliance of and the ability to operate the District's water supply, wastewater treatment, and drainage facilities. Environmental laws and regulations can also impact an area's ability to grow and develop. The following is a discussion of certain environmental concerns that relate to the District. It should be noted that changes in environmental laws and regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

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

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

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the "2015 Ozone Standard"). On May 1, 2018, the EPA designated the Austin Area as "attainment" under the 2015 Ozone Standards, which became effective on August 3, 2018.

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

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

*Water Supply & Discharge Issues.* Water supply and discharge regulations that the City and 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 EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, a city's and municipal utility district's provision of water for human consumption is subject to extensive regulation as a public water system.

Cities and municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System ("TPDES") permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the 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.

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

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of "waters of the United States" and significantly restricted the reach of 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.

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

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the CWA and regulations implementing the CWA. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the CWA or the Texas Water Code.

### **Future and Proposed Legislation**

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

### **Future and Proposed State Legislation**

The Texas Legislature convenes in regular session for 140 days on the second Tuesday in January of odd numbered years. Thereafter the Governor may call one or more special sessions. During this time, the Texas legislature may enact laws that materially change current law relating to districts including with respect to the levy of property taxes. The District makes no representation regarding any action the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the District.

### **Bond Insurance Risks**

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable 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 option prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the Issuer unless the Bond Insurer (the "Bond Insurer") chooses to pay such amounts at an earlier date.

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) of the Bonds.

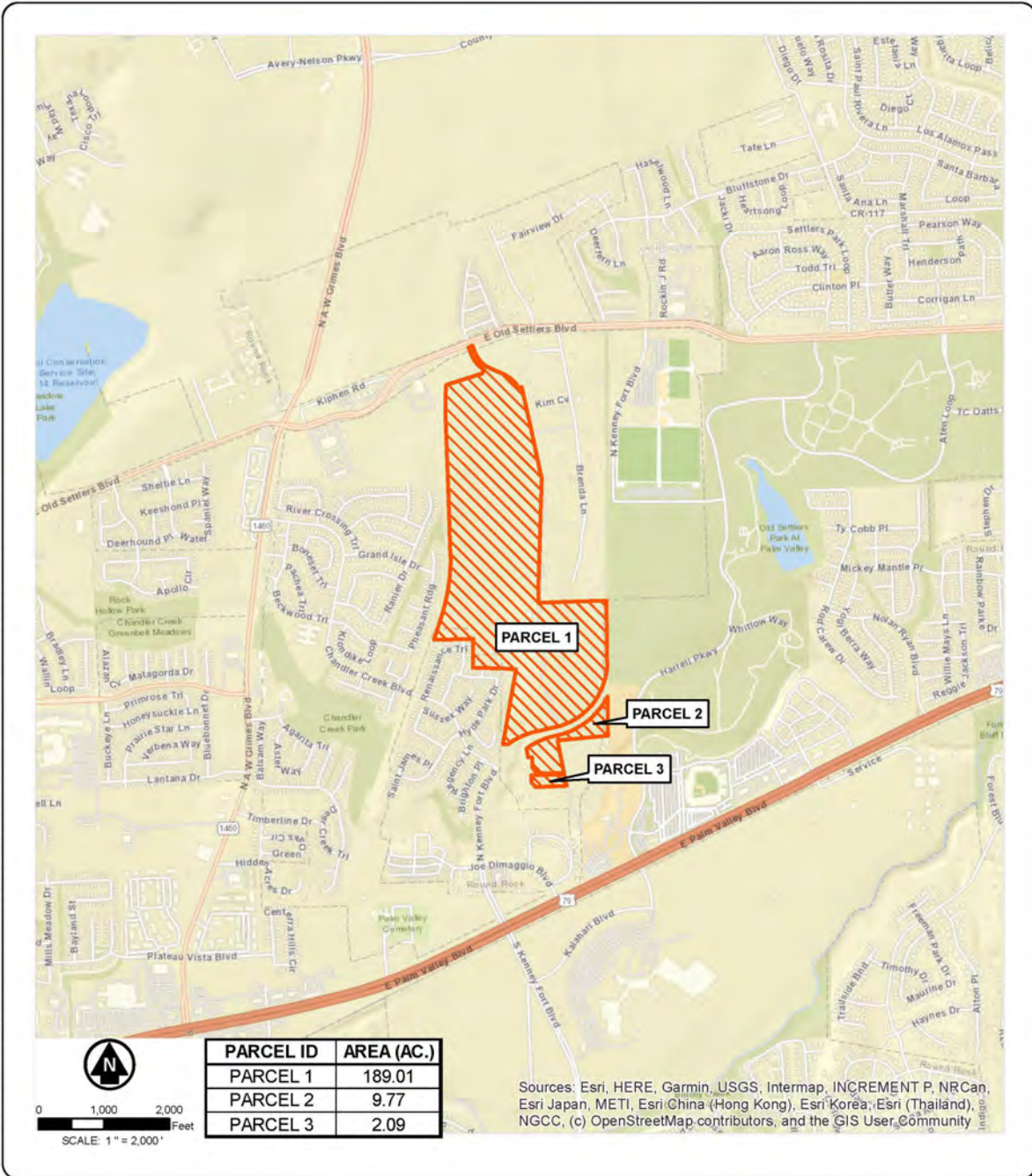
Their long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim-paying ability. The Bond Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term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

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


Neither the District nor the Initial Purchaser has made independent investigation into the claims-paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims-paying ability of the Bond Insurer, particularly over the life of the investment. See "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.

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# LOCATION MAP



Drawing: L:\PROJECT\Meritage\MER19002 Round Rock, MUD No. 2\Creation\GIS\MXD\MER19002 Round Rock, MUD No. 2 - Location Map.mxd

 <p style="font-size: small;">6805 N. CAPITAL OF TEXAS HIGHWAY   SUITE 315 AUSTIN, TEXAS 78731   TEL. (512) 758-7474 TBPE FIRM NO. F-18129</p>	<b>SITE LOCATION MAP</b>	
	ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2 ROUND ROCK, TEXAS	EXHIBIT <b>4</b>

## THE DISTRICT

### General

The District was created by order of the TCEQ, effective January 16, 2020, confirmed pursuant to an election held within the District on November 3, 2020, and operates under Chapters 49 and 54, Texas Water Code, as amended, and the general statutes of Texas applicable to municipal utility districts.

The District was created to provide water, wastewater, and drainage services to the property within the District, which is currently being developed as a single-family and townhome development. The District may also develop and finance roads under Section 54.234 of the Texas Water Code and develop and finance park and recreational facilities. The District has entered into construction agreements with the Developers in order to facilitate the construction of water, wastewater, and drainage facilities, road improvements, and park and recreational facilities to serve property within its boundary.

At the time of creation, the District contained approximately 174.21 acres of land. Since the creation of the District, there has been one annexation and one exclusion of land, and the District currently contains approximately 200.87 acres.

### Management

#### *Board of Directors*

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Length of Service</u>
Reynold Berra	President	2026	3 Years
Benjamin L. Green	Vice President	2026	3 Years
Christopher Paul Elliott	Secretary	2024	3 Years
Luke Caraway	Assistant Secretary	2024	3 Years
Cody Schroeder	Assistant Secretary	2024	3 Years

#### *Consultants*

##### **Tax Assessor/Collector**

Land and improvements in the District are being appraised by the Williamson Central Appraisal District ("WCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Williamson County Tax Assessor/Collector, Larry Gaddes, currently serves the District in this capacity under contract.

##### **Engineer**

The District's consulting engineer is Musser Engineering Associates, Inc. d/b/a Kitchen Table Civil Solutions (the "Engineer"). Such firm serves as consulting engineer to approximately 5 other special districts.

##### **Bookkeeper**

Bott & Douthitt, PLLC, certified public accountants, serves as bookkeeper to the District. Such firm serves as bookkeeper to approximately 150 other special districts.

##### **Auditor**

McCall Gibson Swedlund & Barfoot PLLC, certified public accountants, serves as the auditor to the District. Such firm serves as auditor to approximately 600 other special districts. The District's financial statements for the fiscal year ending September 30, 2022, were audited by McCall Gibson Swedlund & Barfoot PLLC, which audited financial statements are attached hereto as "APPENDIX A."

##### **Financial Advisor**

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

## General Counsel

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

## Bond Counsel and Disclosure Counsel

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

## Location

The District is located entirely within the corporate limits of the City of Round Rock in southern Williamson County. The District is located approximately three miles northeast of downtown Round Rock, ten miles south of the City of Georgetown, six miles west of the City of Hutto, and approximately one-half mile north of U.S. Highway 79. An extension of Kenney Fort Boulevard traverses the southern portion of the District in a southwesterly to northeasterly direction. Chandler Creek traverses the southern part of the District in a west to east direction.

## Historical and Current Status of Development of the District

The District as originally created contained approximately 174.21 acres. Since the creation of the District, there has been an exclusion of approximately 3.36 acres in June 2020, and an annexation of approximately 30.02 acres in October 2021. The District now contains approximately 200.87 acres. The District was created by order of the Commission effective January 16, 2020, and confirmed pursuant to an election held within the District on November 3, 2020.

The District was created to provide water, wastewater, and drainage services to the property within the District which is currently being developed as a single-family and townhome development. The District may also develop and finance roads under Section 54.234 of the Texas Water Code and develop and finance park and recreational facilities. The District has entered into utility construction agreements with the Developer in order to facilitate the construction of water, wastewater, and drainage facilities, road improvements, and park and recreational facilities to serve property within the its boundary.

As of June 1, 2023, the Developers have developed utility facilities serving approximately 167.73 acres within the District, developed as Homestead at Old Settlers Park, Phases 1 and 2 (60.69 acres; platted as 187 single-family homes), and includes an amenity center located on approximately 2.76 acres, which includes a pool, pavilion, and playscape); Homestead at Old Settlers Park, Phases 3, 5, 6, and 10 (53.67 acres; platted as 195 single-family homes); Homestead at Old Settlers Park, Phases 4 and 7 (21.050 acres; platted as 99 single-family homes); and Homestead at Old Settlers Park, Phase 8 (26.540 acres; platted as 133 townhome units).

The following chart reflects the status of development as of June 1, 2023 (acreages approximate):

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
<b>A. Single Family Developed with Utility Facilities</b>					
Homestead at Old Settlers Park, Phases 1 and 2 <sup>(a)</sup>	69.220	187	176	4	7
Homestead at Old Settlers Park, Phases 3, 5, 6, and 10	53.670	195	85	22	88
Homestead at Old Settlers Park, Phases 4 and 7	21.050	99	12	39	48
Homestead at Old Settlers Park, Phase 8 (Townhomes)	26.540	133	-	34	99
<b>Total Developed Utility Facilities</b>	<b>170.480</b>	<b>614</b>	<b>273</b>	<b>99</b>	<b>242</b>
<b>B. Remaining Developable Acreage</b>	<b>-</b>				
<b>C. Roads</b>	<b>4.090</b>				
<b>D. Open Space/Recreation</b>	<b>26.10</b>				
<b>E. Undevelopable Acreage</b>	<b>0.200</b>				
<b>Total District Acreage</b>	<b>200.870</b>				

(a) The amenity center is located on approximately 2.76 acres within Homestead at Old Settlers Park, Phase 2.

## Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect the ability to sell lots and/or property and of any homebuilder to sell completed homes as described in this Official Statement under the caption “RISK FACTORS.” If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. The District’s Engineer estimates that the

\$16,945,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued, subject to the limitations set forth in the Consent Agreement, should be sufficient to reimburse the Developers for the existing utility facilities and provide utility service to the remaining undeveloped but potentially developable acres within the District. See “THE BONDS – Issuance of Additional Debt” and “THE DISTRICT – Consent Agreement with the City of Round Rock.” The Developers are under no obligation to complete any development, if begun, and may modify or discontinue development plans in their sole discretion. Accordingly, the District makes no representation that future development will occur.

### **Consent Agreement with the City of Round Rock**

The City consented to the creation of the District pursuant to a “Consent and Development Agreement” originally between the City and Cressman Enterprises, LP, Kathryn A. Cressman, and the Estate of Marvin R. Cressman, A/K/A Marvin Richard Cressman, Deceased (collectively, the “Cressmans”) dated effective May 9, 2019 (the “Original Consent Agreement”). The District joined in the Original Consent Agreement effective February 13, 2022; and the Cressmans’ interest in the Original Consent Agreement was subsequently assigned to the Developers through a series of partial assignments as the Developers acquired the land subject to the Original Consent Agreement from the Cressmans. The Original Consent Agreement has also been amended by a “First Amendment to Consent and Development Agreement” dated effective October 20, 2021, primarily to memorialize the annexation of approximately thirty (30) acres into the District and corresponding updates to the land plan, as well as to increase the contractual limit on the District’s bonding authority from \$14,100,000 to \$24,575,000. The Original Consent Agreement, as assigned and amended, is referred to herein as the “Consent Agreement.”

The Consent Agreement governs development within the District and sets forth certain terms and conditions governing construction, financing, operation, maintenance, and ownership of the water, wastewater, and drainage utilities (including capacity or contract rights to capacity therein), roads and improvements in aid of roads, park and recreational facilities, and other public improvements serving the property within the District (collectively, “District Improvements”). Pursuant to the Consent Agreement, (a) the City is required to provide retail water and wastewater service sufficient for the full build-out of the District in the same manner and on the same terms and conditions as the City provides service to other retail customers inside its corporate limits; and (b) the Developers are required to design, finance, construct, and convey to the City on behalf of the District all District Improvements at no cost to the City, subject to (1) the City’s obligation to provide retail water and wastewater service to the District, (ii) a reservation of all capacity in the District Improvements for the benefit of the District, and (iii) the Developers’ right, if any, to reimbursement from the District for the cost of the District Improvements in accordance with applicable law.

The Consent Agreement restricts the purposes for which the District may issue bonds to water, wastewater, drainage; road; park and recreational facilities; refunding outstanding bonds (subject to certain conditions); and paying creation and organizational costs and other expenses authorized by Section 49.155 of the Texas Water Code, subject to the applicable limitations therein. The Consent Agreement also (i) limits the total amount of bonds issued by the District (excluding refunding bonds) to \$24,575,000 unless approved by the City; (ii) provides that no bonds (other than refunding bonds) may be issued by the District subsequent to the fifteenth (15<sup>th</sup>) anniversary of the effective date of the Consent Agreement, which was May 9, 2019; and (iii) permits the City to dissolve the District at any time after the District has issued bonds to finance all costs of the District Improvements that are eligible for reimbursement, with the stipulation that, upon dissolution of the District, the City is required to assume the indebtedness and legal obligations of the District to the extent required by law.

## **THE DEVELOPERS**

### **Role of Developer**

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

### **Description of the Developers**

The Developers currently active within the District are Meritage and Tri Pointe, which co-own most of the land within the District and are jointly developing such land pursuant to a Joint Ownership and Development Agreement under which Meritage serves as the development manager.

Meritage is a wholly-owned subsidiary of Meritage Corporation, a Maryland corporation (“Meritage Corporation”). Meritage Corporation is a publicly traded company whose stock is listed on the New York Stock Exchange. Audited financial statements for Meritage Corporation can be found online at <https://investors.meritagehomes.com/financial-information>. Tri Pointe is a wholly-owned subsidiary of Tri Pointe Homes, Inc., a Delaware corporation (“Tri Pointe Corporation”). Tri Pointe Corporation is a publicly traded company whose stock is listed on the New York

Stock Exchange. Audited financial statements for Tri Pointe Corporation can be found online at <https://investors.tripointehomes.com/financial-info/see-reports/default.aspx>. Both Meritage Corporation and Tri Pointe Corporation are subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith file reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements, and other information filed by Meritage Corporation and Tri Pointe Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 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 <https://www.sec.gov/> that contains reports, proxy statements, and other information regarding registrants that file electronically with the SEC. The information relating to the Developers has been furnished exclusively by the Developers and should not be construed in any way to impact any particular measure of development progress within the District or of the financial condition of the Developers. See “THE DISTRICT – Historical and Current Status of Development.”

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

The Bonds are obligations solely of the District and are not obligations of the City, the County, the State, the Developers, (or any member, owner, shareholder, officer, general partner, parent, or affiliate of the Developers), or any entity other than the District. See “THE DISTRICT - Historical and Current Status of Development.”

**Acquisition and Development Financing**

To date, the Developers have funded acquisition and development activities with cash.

**Homebuilders within the District**

According to the Developers, Meritage and Tri Pointe are the only homebuilders within the District. According to Meritage, Meritage’s homes range in price from \$454,990 to \$571,990, with square footage ranging from 1,478 to 2,812. According to Tri Pointe, Tri Pointe’s homes range in price from \$390,990 to \$774,990, with square footage ranging from 1,716 to 2,969.

Home construction in the District began in 2021. Based on the District Engineer’s review, the following chart illustrates the number of homes built per year starting in 2021.

Calendar Year	No. of Single-Family Homes Constructed
2021	16
2022	181
2023	175*

\* As of June 1, 2023, 76 completed single-family homes. Additionally, there are 65 single-family homes under construction and 34 townhomes under construction.

**Utility Construction Agreements**

The District has entered into a utility construction agreement with the Developers governing the development of water, wastewater, drainage, park, and recreational facilities serving the District and the reimbursement for certain costs of such development through the issuance of bonds by the District, and a similar such agreement governing the development of and reimbursement for road improvements serving the District.

**Agricultural Waiver**

The undeveloped acreage within the District is subject to an agricultural exemption; however, the Developers have executed agreements, which are recorded in the real property records of Williamson County, and are covenants running with the land, waiving the right to have the land located within the District classified as agricultural, open-space, or timberland for purposes of the District’s tax rate. In addition, the Developers have waived their rights to have the lots and homes (if any) classified as business inventory for purposes of the District’s tax rate. Such agreement may not be modified without the approval of the TCEQ and is binding on purchasers of such land from the Developers. See “TAXING PROCEDURE – Property Subject to Taxation by the District.”



## THE SYSTEM

### Regulation

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

Operation of the waterworks and wastewater facilities by the City serving retail customers within the District is subject to regulation by, among others, the EPA and the TCEQ. The rules and regulations promulgated by these agencies change periodically and are subject to further development and revision. The TCEQ makes annual inspections of the City’s water and wastewater systems to assure compliance with its rules.

### Water Supply and Distribution and Wastewater Collection and Treatment

Pursuant to the Consent Agreement, the City has committed to provide retail water and wastewater service to customers within the District sufficient for the full build-out of the District at flow rates and pressures (including fire flows) sufficient to meet the minimum requirements of applicable law. The water distribution and wastewater collection systems within the District will be owned by the City; and the City is required to provide water and wastewater service to customers within the District in the same manner and on the same terms and conditions as the City provides service to other retail customers within its corporate limits. The City’s standard water and wastewater rates, charges, and other fees, including engineering review and inspection fee, that are applicable to other areas within the City’s corporate limits are applicable to facilities constructed, connections made, and services provided within the District. The Consent Agreement provides that any impact fees payable to the City with respect to the land within the District will be paid by or on behalf of the District; and, in consideration of the payment of impact fees, the Developers will acquire, on behalf of the District, the guaranteed right to receive service from the City’s water and wastewater systems, as applicable, for the living unit equivalents (“LUEs”) of service for which impact fees have been paid. The District’s wastewater is treated at the City’s Brushy Creek Regional East plant, TPDES Permit No. WQ0010264002. According to the District’s Engineer, the water supply and wastewater treatment capacity from the City are sufficient to serve the anticipated full build-out of the District.

### Storm Drainage

The storm drainage system that serves the District consists of storm sewers conveying flows to a tributary of Chandler Creek and then to a detention pond in the southern part of the District, or directly to the detention pond, which outfalls into Chandler Creek. Stormwater in the eastern portion of the District will be conveyed to a separate detention facility and then to a tributary of Chandler Creek. Stormwater from within the townhome tract will be conveyed to separate detention facilities and then to the north-south tributary of Chandler Creek extending through the District.

### 100-Year Flood Plain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance.

According to the District’s Engineer, there are approximately 0.20 acres within the District that are located within the 100-year flood plain, as identified by the Federal Flood Insurance Administration Rate Maps Nos. 48491C0495E and 48491C0460E for Williamson County, Texas, dated September 27, 1991.

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”) which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100-year flood plain which interim flood plain is based on the current 500-year flood plain, resulting in the interim flood plain regulations applying to a larger number of properties, and potentially increasing the size of detention ponds and drainage facilities required for future construction in all areas (not just in the flood plain). Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

*[The remainder of this page intentionally left blank]*

## **Water, Wastewater, and Drainage Operations - Rate and Fee Schedule**

The City provides retail water and wastewater services to the District and is responsible for establishing the rates and fees charged for those services, subject to change from time to time. The rates and fees charged and collected by the City for retail water and wastewater service are published and updated from time to time by the City on its official websites, which may be referred to for the City's current rates and fees. **The rates and charges established by the City are not part of the District's continuing disclosure undertaking and will not be updated by the District annually.**

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**Operating Revenues and Expenses Statement - Table 2**

The following statement sets forth in condensed form the historical operations of the District as derived from the District’s audited financial statements for the years ending September 30, 2020 through September 30, 2022. Unaudited financial information for the period ending July 31, 2023 has been provided by the District’s bookkeeper. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary has been prepared from information obtained from the District’s financial statements and records. Reference is made to such statements for further and more complete information. Also see “Appendix A – Audited Financial Statements.”

	<b>Fiscal Year End</b>			
	<b>7/31/2023<sup>(a)</sup></b>	<b>9/30/2022<sup>(b)</sup></b>	<b>9/30/2021<sup>(b)</sup></b>	<b>9/30/2020<sup>(c)</sup></b>
<b>REVENUES</b>				
Property taxes, including penalties	\$ 339,952	\$ 49,879	\$ -	\$ -
Interest	6,931	-	-	-
Developer Advance	-	25,000	95,000	5,000
Other	-	-	-	-
<b>TOTAL REVENUES</b>	<b>\$ 346,882</b>	<b>\$ 74,879</b>	<b>\$ 95,000</b>	<b>\$ 5,000</b>
<b>EXPENDITURES</b>				
Legal Fees	\$ 30,320	40,617	47,131	10,521
Engineering Fees	26,175	20,630	15,396	5,900
Bookkeeping Fees	18,838	6,400	3,750	850
Audit Fee	10,000	8,000	-	-
Public Notice	2,719	-	423	571
Director Fees, including payroll taxes	3,068	4,683	7,428	-
Insurance	1,654	2,001	1,650	25
Financial Advisor Fees	1,980	-	-	-
Tax appraisal/collection fees	1,375	270	-	-
Other	3,006	2,229	2,006	660
<b>TOTAL EXPENDITURES</b>	<b>\$ 99,136</b>	<b>\$ 84,830</b>	<b>\$ 77,784</b>	<b>\$ 18,527</b>
<b>NET REVENUES (DEFICIT)</b>	<b>\$ 247,747</b>	<b>\$ (9,951)</b>	<b>\$ 17,216</b>	<b>\$ (13,527)</b>
<b>Beginning Fund Balance</b>	<b>\$ (6,262)</b>	<b>\$ 3,689</b>	<b>\$ (13,527)</b>	<b>\$ -</b>
<b>Plus / (Less): Fund Transfers</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Ending Fund Balance</b>	<b>\$ 241,484</b>	<b>\$ (6,262)</b>	<b>\$ 3,689</b>	<b>\$ (13,527)</b>

(a) Unaudited as of July 31, 2023. Represents ten (10) months of the current fiscal year.

(b) Audited.

(c) Unaudited.

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**DEBT SERVICE REQUIREMENTS – TABLE 3\***

**Round Rock Municipal Utility District No. 2**

**\$3,270,000**

**Unlimited Tax Bonds, Series 2023**

**Dated Date: October 12, 2023**

**First Interest Payment Due: March 1, 2024**

Year Ending 31-Dec	Outstanding Bonds				The Bonds				Total Debt Service Requirements	
	Principal Due (09/01)	Interest		Total	Principal (Due 9/01)	Interest		Principal and Interest		
		Due (03/01)	Due (09/01)			Due 3/01)	Due 9/01)			Total
2023	\$ -	\$ 205,571	\$ 146,250	\$ 351,821	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 351,821
2024	-	248,322	248,322	496,644	-	63,187	81,825	145,012	145,012	641,656
2025	255,000	248,322	248,322	751,644	5,000	81,825	81,825	163,650	168,650	920,294
2026	265,000	243,222	243,222	751,444	5,000	81,663	81,663	163,325	168,325	919,769
2027	280,000	237,809	237,809	755,619	5,000	81,500	81,500	163,000	168,000	923,619
2028	290,000	232,022	232,022	754,044	65,000	81,338	81,338	162,675	227,675	981,719
2029	305,000	225,734	225,734	756,469	65,000	79,225	79,225	158,450	223,450	979,919
2030	320,000	218,866	218,866	757,731	65,000	77,113	77,113	154,225	219,225	976,956
2031	330,000	211,391	211,391	752,781	75,000	75,000	75,000	150,000	225,000	977,781
2032	350,000	203,409	203,409	756,819	75,000	72,563	72,563	145,125	220,125	976,944
2033	365,000	194,941	194,941	754,881	80,000	70,125	70,125	140,250	220,250	975,131
2034	380,000	185,816	185,816	751,631	85,000	67,525	67,525	135,050	220,050	971,681
2035	400,000	176,316	176,316	752,631	90,000	64,763	64,763	129,525	219,525	972,156
2036	415,000	166,316	166,316	747,631	100,000	61,838	61,838	123,675	223,675	971,306
2037	435,000	155,941	155,941	746,881	105,000	58,650	58,650	117,300	222,300	969,181
2038	455,000	144,878	144,878	744,756	110,000	56,025	56,025	112,050	222,050	966,806
2039	475,000	133,303	133,303	741,606	120,000	53,275	53,275	106,550	226,550	968,156
2040	495,000	121,222	121,222	737,444	130,000	50,275	50,275	100,550	230,550	967,994
2041	520,000	108,634	108,634	737,269	135,000	47,025	47,025	94,050	229,050	966,319
2042	545,000	95,403	95,403	735,806	145,000	43,988	43,988	87,975	232,975	968,781
2043	570,000	81,541	81,541	733,081	155,000	40,725	40,725	81,450	236,450	969,531
2044	595,000	66,791	66,791	728,581	165,000	37,238	37,238	74,475	239,475	968,056
2045	625,000	51,391	51,391	727,781	175,000	33,525	33,525	67,050	242,050	969,831
2046	650,000	34,963	34,963	719,925	190,000	29,588	29,588	59,175	249,175	969,100
2047	680,000	17,875	17,875	715,750	200,000	25,313	25,313	50,625	250,625	966,375
2048	-	-	-	-	925,000	20,813	20,813	41,625	966,625	966,625
	<u>10,000,000</u>	<u>4,009,996</u>	<u>3,950,675</u>	<u>17,960,671</u>	<u>3,270,000</u>	<u>1,454,100</u>	<u>1,472,738</u>	<u>2,926,837</u>	<u>6,196,837</u>	<u>24,157,508</u>

\*Does not include debt service on the District's \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

**FINANCIAL STATEMENT  
(Unaudited)**

**Assessed Value – Table 4**

2023 Certified Assessed Valuation		\$ 125,388,176 <sup>(a)</sup>
Estimated Assessed Valuation as of June 1, 2023		\$ 152,700,000 <sup>(b)</sup>
Gross Debt Outstanding (after issuance of the Bonds)		\$ 13,270,000 <sup>(c)</sup>
Ratio of Gross Debt to 2023 Certified Assessed Valuation		10.58%
Ratio of Gross Debt to Estimated Assessed Valuation as of June 1, 2023		8.69%
2023 Tax Rate		
Debt Service	\$	0.3360
Maintenance		<u>0.1750</u>
<b>Total 2023 Tax Rate</b>		<u><u>\$ 0.5110</u></u> <sup>(d)</sup>
Debt Service Fund Balance (September 7, 2023)	\$	534,459 <sup>(e)</sup>

Area of District: 200.87 acres  
Estimated Population as of June 1, 2023: 819<sup>(g)</sup>

- (a) The certified assessed valuation as of January 1, 2023, as provided by the Williamson Central Appraisal District (“WCAD”). See “TAXING PROCEDURES.”
- (b) The estimated assessed valuation as of June 1, 2023, as provided by WCAD, is included solely for purposes of illustration. No taxes will be levied on this assessed valuation unless it is certified by WCAD. See “TAXING PROCEDURES.”
- (c) Includes the Bonds. Does not include the District’s \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.
- (d) The District’s Board, at the meeting on September 7, 2023, levied a 2023 total tax rate of \$0.5110. “TAXING PROCEDURES.”
- (e) Unaudited as of September 7, 2023. Does not include approximately twenty-three (23) months of capitalized interest (\$310,650) included in the Bond proceeds, to be deposited into the District’s Debt Service Fund upon closing. Consists only of capitalized interest funded out of proceeds from the District’s Unlimited Tax Bonds, Series 2022 and Unlimited Tax Road Bonds, Series 2022A. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the District’s Debt Service Fund.
- (f) Based upon 3.0 residents per completed and occupied single family home.

**Unlimited Tax Bonds Authorized but Unissued - Table 5**

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/3/2020	Water, Wastewater, and Drainage	\$ 26,715,000	\$ 9,770,000 <sup>(a)</sup>	\$ 16,945,000
11/3/2020	Parks and Recreation	3,760,000	-	3,760,000
11/3/2020	Roads	<u>20,425,000</u>	<u>3,500,000</u> <sup>(b)</sup>	<u>16,925,000</u>
<b>Total</b>		<b>\$ 50,900,000</b>	<b>\$ 13,270,000</b>	<b>\$ 37,630,000</b>

- (a) Includes the Bonds.
- (b) Does not include the District’s \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

*[The remainder of this page intentionally left blank]*

**Outstanding Bonds - Table 6**

<b>Dated Date</b>	<b>Purpose</b>	<b>Original Series</b>	<b>Original Principal Amount</b>	<b>Principal Amount Outstanding after the Issuance of the Bonds</b>
10/25/22	Water, Wastewater, and Drainage	2022	\$ 6,500,000	\$ 6,500,000
11/17/22	Roads	2022A	\$ 3,500,000	\$ 3,500,000
10/12/23	Water, Wastewater, and Drainage	2023	3,270,000	3,270,000 <sup>(a)</sup>
	<b>Subtotal</b>		<b>\$ 13,270,000</b>	<b>\$ 13,270,000</b>

(a) The Bonds. Does not include the District's \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

**Cash and Investment Balances - Table 7<sup>(a)</sup>**

General Fund	\$ 256,106
Debt Service Fund	534,459 <sup>(b)</sup>
Capital Projects Fund	125,927

(a) Unaudited as of September 7, 2023.

(b) Unaudited as of September 7, 2023. Does not include approximately twenty-three (23) months of capitalized interest (\$310,650) included in the Bond proceeds, to be deposited into the District's Debt Service Fund upon closing. Consists only of capitalized interest funded out of proceeds from the District's Unlimited Tax Bonds, Series 2022 and Unlimited Tax Road Bonds, Series 2022A. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.

**Investment Authority and Investment Practices of the District**

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

United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

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

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

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

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

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

**Current Investments - Table 8**

The District, as of September 7, 2023 (unaudited), was invested in TexPool. This investment portfolio is generally representative of the District’s investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. TexPool is a public funds investment pool. TexPool has not been assigned a risk category since the District has not issued securities, but rather it owns an undivided beneficial interest in the assets of TexPool. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District’s audited financial statements.

		<b>Investment Value as of September 7, 2023</b>
Cash	\$	23,197
TexPool		<u>893,294</u>
<b>Total Investments</b>	<b>\$</b>	<b>916,491</b>

**Estimated Overlapping Debt Statement**

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

<b>Taxing Body</b>	<b>Total Tax Supported Debt</b>		<b>% of Overlapping Net Debt</b>	<b>Amount of Overlapping Net Debt</b>
	<b>Amount</b>	<b>As of</b>		
Williamson County	\$ 1,152,310,000	8/31/2023	0.060%	\$ 691,386
Upper Brushy Creek WCID	51,320,000	8/31/2023	0.020%	10,264
Austin Community College	562,445,000	8/31/2023	0.000%	-
Round Rock Independent School District	741,145,000	8/31/2023	0.020%	148,229
City of Round Rock	298,020,000	8/31/2023	0.060%	<u>178,812</u>
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$ 1,028,691</b>
The District <sup>(b)</sup>	\$ 13,270,000	10/12/2023	100.00%	<u>13,270,000</u>
<b>TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT</b>				<b>\$ 14,298,691</b>
<b>Ratio of Direct and Estimated Overlapping Debt to 2023 Certified Assessed Valuation</b>				<b>11.40%</b>
<b>Ratio of Direct and Estimated Overlapping Debt to Estimated Assessed Valuation as of June 1, 2023</b>				<b>9.36%</b>

(a) Taxing jurisdiction with no outstanding debt.

(b) Includes the Bonds. Does not include the District’s \$1,625,000 Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.

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**Overlapping Taxes for 2022**

Overlapping Entity	2022 Tax Rate Per	
	\$100 Assessed Valuation Williamson County	Average Tax Bill <sup>(a)</sup> Williamson County
Williamson County <sup>(b)</sup>	\$0.375608	\$ 1,731
Upper Brushy Creek WCID	\$0.017500	81
Austin Community College	\$0.098700	455
Round Rock Independent School District	1.062600	4,896
City of Round Rock	0.342000	1,576
The District	<u>0.511000</u>	<u>2,355</u>
<b>Total</b>	<b><u>\$2.407408</u></b>	<b><u>\$ 11,093</u></b>

(a) Based upon the 2022 average single-family home value of \$460,777 as provided by WCAD.

(b) Includes \$0.037492 levied for Williamson County FM/RD.

**TAX DATA**

**Classification of Assessed Valuation - Table 9**

Type Property	2023 <sup>(a)</sup>		2022 <sup>(b)</sup>		2021 <sup>(b)</sup>	
	Amount	%	Amount	%	Amount	%
Single Family Residential	\$ 88,443,709	70.54%	\$ 5,743,115	9.14%	\$ -	0.00%
Vacant Platted Lots/Tracts	3,660,024	2.92%	3,559,707	5.67%	7,062,680	72.36%
Real Acreage	-	0.00%	93,489	0.15%	9,742,246	99.81%
Real Farm/Ranch Improvements	-	0.00%	5,079,002	8.09%	-	0.00%
Real & Intangible Personal - Business	77,460	0.06%	63,356	0.10%	-	0.00%
Intangible Personal	-	0.00%	-	0.00%	-	0.00%
Real, Inventory	46,771,324	37.30%	48,869,135	77.80%	-	0.00%
Exempt Property	138,910	0.11%	-	0.00%	-	0.00%
Total Exempt Property	5,070	0.00%	-	0.00%	-	0.00%
Adjustments & Exemptions	<u>(13,708,321)</u>	<u>-10.93%</u>	<u>(591,592)</u>	<u>-0.94%</u>	<u>(7,043,959)</u>	<u>-72.16%</u>
<b>Total</b>	<b>\$ 125,388,176</b>	<b>100.00%</b>	<b>\$ 62,816,212</b>	<b>100.00%</b>	<b>\$ 9,760,967</b>	<b>100.00%</b>

(a) Provided by WCAD.

(b) Audited.

**Tax Collections - Table 10**

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

Year	Assessed Valuation <sup>(a)</sup>	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2021	9,760,967	0.5110	49,879	49,879	100.00%	49,879	100.00%	9/30/2022 <sup>(b)</sup>
2022	62,816,212	0.5110	320,991	320,940	99.98%	320,940	99.98%	9/30/2023 <sup>(c)</sup>
2023	125,388,176	0.5110	634,326	<i>In the process of collection</i>				9/30/2024 <sup>(d)</sup>

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

(b) Audited as of September 30, 2022.

(c) Unaudited as of June 30, 2023. Taxes were due with no penalty by January 31, 2023.

(d) In the process of collection. Taxes are due with no penalty by January 31, 2024.

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**District Tax Rates - Table 11**

Tax Rates per \$100 Assessed Valuation				
	2023	2022	2021	
<b>Debt Service</b>	\$ 0.3360	\$ -	\$ -	
<b>Maintenance</b>	0.1750	0.5110	0.5110	
<b>Total</b>	<b>\$ 0.5110</b>	<b>\$ 0.5110</b>	<b>\$ 0.5110</b>	

**Debt Service Tax**

The District’s tax rate for debt service on the Bonds is legally unlimited as to rate and amount.

The Board will covenant in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax which, when added to other funds legally available to the District for payment of outstanding debt obligations, is adequate to provide funds to pay the principal of and interest on such debt.

**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and operating the District’s improvements, if such maintenance tax is authorized by a vote of the District’s electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on May 1, 2021, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. See “THE DISTRICT – Consent and Development Agreement with the City of Round Rock.” As shown above under “District Tax Rates,” the District levied a 2023 maintenance and operation tax of \$0.1750/\$100 assessed valuation. See “THE DISTRICT – General.”

**Principal Taxpayers - Table 12**

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

Name	Type of Property	2023 <sup>(a)</sup>	2022 <sup>(b)</sup>	2021 <sup>(b)</sup>
Meritage Homes of Texas LLC <sup>(c)(d)</sup>	Land and Improvements	\$ 10,129,636	\$ 17,091,296	\$ 9,081,926
Tri Pointe Homes Inc. <sup>(c)(d)</sup>	Land and Improvements	7,974,386	(e)	(e)
Meritage Homes of Texas LLC <sup>(c)(d)</sup>	Land and Improvements	1,357,756	11,352,000	(e)
Trendmaker Homes of Texas LLC & Tri Pointe Homes Texas Inc. <sup>(c)(d)</sup>	Land and Improvements	1,214,801	5,862,108	(e)
Meritage Homes of Texas LLC	Land and Improvements	530,919	5,418,000	(e)
Individual Homeowner	Land and Improvements	530,919	735,565	25,190
Individual Homeowner	Land and Improvements	530,919	591,726	25,190
Individual Homeowner	Land and Improvements	530,919	590,553	25,190
Individual Homeowner	Land and Improvements	530,919	578,509	25,190
Individual Homeowner	Land and Improvements	530,919	575,092	25,190
Meritage Homes of Texas LLC & Tri Pointe Homes Texas Inc. <sup>(c)(d)</sup>	Land and Improvements	(e)	4,771,485	(e)
Estate of M. Cressman	Land and Improvements	(e)	(e)	480,390
Cressman Enterprises LP	Land and Improvements	(e)	(e)	72,701
<b>Total</b>		<b>\$ 23,862,093</b>	<b>\$ 47,566,334</b>	<b>\$ 9,760,967</b>
Percent of Assessed Valuation		19.03%	75.72%	100.00%

(a) Provided by WCAD.

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

(c) The Developer.

(d) The designated taxpayer is concentrated in the homebuilding industry. See "THE DEVELOPERS - Homebuilders within the District" and "RISK FACTORS - Factors Affecting Taxable Values and Tax Payments - Dependence Upon the Developers, Lot Owners, and Builders."

(e) Not a principal taxpayer in respective year.

**Tax Adequacy for Debt Service**

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in 2023 certified assessed valuation, estimated assessed valuation as of June 1, 2023, and utilize tax rates adequate to service the District’s total debt service requirements. No available debt service funds are reflected in these computations. See “RISK FACTORS – Factors Affecting Taxable Values and Tax Payments - Impact on District Tax Rates.”

Average Requirement on the Bonds (2024 through 2048) .....	\$952,227
\$0.80 Tax Rate on 2023 Certified Assessed Valuation of \$125,388,179 @ 95% collections produces .....	\$952,950
\$0.66 Tax Rate on the Estimated Assessed Valuation as of June 1, 2023 of \$152,700,000 @ 95% collections produces .....	\$957,429
Maximum Requirement on the Bonds (2028) .....	\$981,719
\$0.83 Tax Rate on 2023 Certified Assessed Valuation of \$125,388,179 @ 95% collections produces .....	\$988,686
\$0.68 Tax Rate on the Estimated Assessed Valuation as of June 1, 2023 of \$152,700,000 @ 95% collections produces .....	\$986,442

**Debt Service Fund Management Index**

Debt Service Requirements for year ending 12/31/24.....	\$641,656 <sup>(a)</sup>
Unaudited Debt Service Fund Balance as of 9/7/2023 .....	534,459 <sup>(b)</sup>
Capitalized Interest included in the Bond proceeds.....	310,650 <sup>(c)</sup>
2023 Tax Levy @ 95% collections produces .....	<u>400,239<sup>(d)</sup></u>
Total Available for Debt Service.....	<u>\$1,245,348</u>
Projected Debt Service Fund Balance as of September 30, 2024.....	\$603,692

- (a) Interest requirements on the Bonds begin March 1, 2024. Does not reflect any interest requirements on the District’s Unlimited Tax Road Bonds, Series 2023A, which are anticipated to be issued on or about November 9, 2023.
- (b) Unaudited as of September 7, 2023. Consists only of capitalized interest funded from the proceeds of the District’s Unlimited Tax Bonds, Series 2022 and the Unlimited Tax Road Bonds, Series 2022A. The District’s first debt service payment was made on September 1, 2023.
- (c) Represents approximately twenty-three (23) months of capitalized interest (\$310,650) included in the Bond proceeds, to be deposited into the District’s Debt Service Fund upon closing.
- (d) The District levied a 2023 debt service tax rate of \$0.3360/\$100AV. “TAXING PROCEDURES.”

**TAXING PROCEDURES**

**Authority to Levy Taxes**

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

**Property Tax Code and County Wide Appraisal District**

Title I of the Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. Provisions of the Property Tax Code are complex and are not fully summarized here.

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. WCAD has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson County Appraisal Review Board (the “Appraisal Review Board”).

**Property Subject to Taxation by the District**

**General:** Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the appraisal district to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions if the property is used for public purpose; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than \$500; certain property used for the control

of air, water, or land pollution; solar and wind powered energy devices; certain non-profit cemeteries; farm products owned by the producer and certain property owned by qualified charitable, religious, veterans, youth development or fraternal organizations; designated historical sites; travel trailers; and most individually owned automobiles. Personal property owned by a disabled veteran or by the spouse or certain children of a deceased disabled veteran or a veteran who died while on active duty is partially exempt to between \$5,000 and \$12,000 of assessed value depending upon the disability rating of the veteran. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation on the same or subsequently qualified homestead, of the appraised value of the same property to which the disabled veteran's exemption applied. The surviving spouse of a member of the armed services who was killed in action is entitled to an exemption from taxation of the total appraised value of the surviving spouse's residence homestead where certain conditions are met and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who was killed for fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Also partially exempt, if approved by the Board or at an election called by the Board upon petition of at least 20% of qualified voters who voted in the District's preceding election, are residence homestead of certain person who are disabled or at least 65 years old, not less than \$3,000 of appraised value or such higher amount as the Board or the District's voters may approve. Furthermore, the surviving spouse of a person 65 or older is entitled to an exemption for the same property in an amount equal to that which the deceased spouse was qualified, subject to certain conditions. The District's tax assessor/collector is authorized by statute to disregard such exemptions for the elderly and disabled if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemptions by the District.

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

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

**Freeport Goods and Goods-in-Transit Exemption:** Article VIII, Section 1-j of the Texas Constitution provides for an exemption from ad valorem taxation for "freeport property," which is defined as goods detained in the state for 175 days or less for the purpose of assembly, storage, manufacturing, processing, or fabrication. Taxing units that took action prior to April 1, 1990 may continue to tax freeport property and decisions to continue to tax freeport property may be reversed in the future. However, decisions to exempt freeport property are not subject to reversal. A "Goods-in-Transit" Exemption is applicable to the same categories of tangible personal property which are covered by the Freeport Exemption, if, for tax year 2011 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption is limited to 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. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicle, vessel and outboard motor, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has not acted to tax goods-in-transit.

### **Valuation of Property for Taxation**

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

The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open

space, or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives an agricultural use, open space, or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years.

The Property Tax Code requires WCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in WCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by WCAD 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 WCAD 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 WCAD chooses formally to include such values on its appraisal roll.

### **District and Taxpayer Remedies**

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

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

### **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board of Directors, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before 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, 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 residence homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

### **Tax Payment Installments**

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

### **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 operations 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 ninety-five percent (95%) of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its operation and maintenance tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the district described below.

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

**Developed Districts:** Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold a rollback election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 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 are classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax rate imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions, are authorized to petition for an election to reduce the operation and maintenance tax rate. If a rollback election is called and passes, the total tax rate for Developing Districts is the current year's debt service and contract tax rate plus 1.08 times the previous year's operation and maintenance tax rate.

**The District:** A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board of Directors on an annual basis. The Board of Directors of the District has determined that the District is a Developing District for the 2023 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

#### **District's Rights In The Event Of Tax Delinquencies**

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2022." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

#### **Effect of FIRREA on Tax Collections**

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

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

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

## **2023 Legislative Session**

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the “subjected property”) whose appraised values are not more than \$5 million dollars (the “maximum property value”) to an amount not to exceed the lesser of: (1) the market value of subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent (20%) of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the “appraisal cap”). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year’s increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap takes effect on January 1, 2024, if the constitutional amendment proposed by House Joint Resolution 2 during the Second Special Session is approved by voters on November 7, 2023.

## **LEGAL MATTERS**

### **Legal Opinions**

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

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

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

### **No-Litigation Certificate**

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

### **No Material Adverse Change**

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

## **TAX MATTERS**

### **Opinion**

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

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

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

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

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

### **Federal Income Tax Accounting Treatment of Original Issue Discount**

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

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

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

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

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

### **Collateral Federal Income Tax Consequences**

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

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad



Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

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

### **State, Local, and Foreign Taxes**

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

### **Information Reporting and Backup Withholding**

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

### **Future and Proposed Legislation**

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

### **Qualified Tax-Exempt Obligations for Financial Institutions**

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

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District has covenanted to take such action that would assure, or to refrain from such action that would adversely

affect, the treatment of the Bonds as “qualified tax-exempt obligations.” **Potential purchasers should be aware that if the issue price to the public exceeds \$10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of \$10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the \$10,000,000 limitation and the Bonds would not be “qualified tax-exempt obligations.”**

## CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events to the Municipal Securities Rulemaking Board (“MSRB”). Information will be available free of charge by the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org).

### Annual Reports

The District will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under Tables 2 through 12 and in Appendix A, if such audited financial statements as provided in Appendix A are then available. The District will update and provide this information within six months after the end of the fiscal year. The District will provide the updated information to the MSRB.

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

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

### Notice of Certain Events

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for debt service reserve or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occurs: the appointment of a receiver, fiscal agent, or similar officer of the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers of the District in possession but subject to supervision and orders of a court of governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court of governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

For the purposes of the events described in clauses (15) and (16) above, the term “financial obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not

include municipal securities (as defined in the Securities and Exchange Act of 1934, as amended), as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words used in such clauses (15) and (16) in the preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

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

#### **Availability of Information from the MSRB**

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

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

#### **Limitations and Amendments**

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

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

#### **Compliance with Prior Undertakings**

Since the District first issued bonds in 2022, the District has complied in all material respects with its continuing disclosure undertakings pursuant to the Rule.

### **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC (the “Financial Advisor”), which firm was employed in 2019 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

### **OFFICIAL STATEMENT**

#### **Preparation**

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

“THE DISTRICT” and “THE SYSTEM” – Musser Engineering Associates, Inc. d/b/a Kitchen Table Civil Solutions (“District Engineer”); “THE DEVELOPER” – Meritage Homes of Texas, LLC and Tri Pointe Homes Texas, Inc.; “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued – Table 5” - Records of the District, “FINANCIAL STATEMENT” – WCAD; “FINANCIAL STATEMENT - Estimated Overlapping Debt Statement” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA”

and “THE SYSTEM - Water and Wastewater Operations” - Records; “THE DISTRICT - Management of the District” - District Directors; “DEBT SERVICE REQUIREMENTS – TABLE 3” - Financial Advisor; “THE BONDS” (except “Payment Record”), “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except “Compliance with Prior Undertakings”) - McCall, Parkhurst & Horton L.L.P.

### **Consultants and Sources**

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

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

*Auditor:* The District’s financial statements for fiscal year ending September 30, 2022 were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants, and excerpts of the District’s Audited Financial Statements as of September 30, 2022 have been included as Appendix A in reliance upon such firm’s authority in the field of accounting.

*Appraisal District:* The information contained in this Official Statement relating to the Assessed Valuations of the District has been provided by WCAD and has been included herein in reliance upon the authority of said experts in the field.

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

### **Updating the Official Statement during Underwriting Period**

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

### **Certification as to Official Statement**

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

### **Annual Audits**

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

This Official Statement was approved by the Board of Directors of Round Rock Municipal Utility District No. 2, as of the date shown on the first page hereof.

/s/Reynold Berra  
President, Board of Directors  
Round Rock Municipal Utility District No. 2

/s/Christopher Paul Elliott  
Secretary, Board of Directors  
Round Rock Municipal Utility District No. 2

## PHOTOGRAPHS

The following photographs were taken in the District in May 2023. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT."



















**APPENDIX A**  
**Audited Financial Statements**

The information contained in this appendix has been excerpted from the audited financial statements of Round Rock Municipal Utility District No. 2 for the fiscal year ended September 30, 2022. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2**

**YEAR ENDED SEPTEMBER 30, 2022**

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

**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2**

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

**FOR THE YEAR ENDED  
SEPTEMBER 30, 2022**



# ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2

## TABLE OF CONTENTS

	<u>Page</u>
<i>Annual Filing Affidavit</i> .....	1
<i>Independent Auditor's Report</i> .....	2
<i>Management's Discussion and Analysis</i> .....	MDA-1
 <i>Financial Statements</i>	
Statement of Net Position and Governmental Fund Balance Sheet .....	FS-1
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance .....	FS-2
<i>Notes to the Financial Statements</i> .....	FS-3
 <i>Required Supplementary Information</i>	
Budgetary Comparison Schedule – General Fund.....	FS-11
 <i>Texas Supplementary Information (TSI)</i>	
Services and Rates .....	TSI-1
General Fund Expenditures .....	TSI-2
Temporary Investments .....	TSI-3
Taxes Levied and Receivable .....	TSI-4
Long-Term Debt Service Requirements - By Years .....	TSI-5
Changes in Long-Term Bonded Debt .....	TSI-6
Comparative Schedule of Revenues and Expenditures	
General Fund - Three Years .....	TSI-7
Board Members, Key Personnel and Consultants .....	TSI-8
 <i>Other Supplementary Information (OSI)</i>	
Principal Taxpayers .....	OSI-1
Assessed Value by Classification .....	OSI-2

# **ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS  
COUNTY OF WILLIAMSON

I, Benjamin L. Green, Vice President of the Board of Directors of the  
(Name of Duly Authorized District Representative)

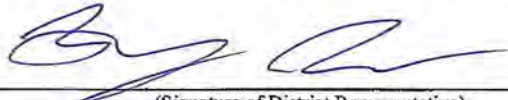
**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
(Name of District)

hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **10th day of February, 2023** its annual audit report for the fiscal year ended **September 30, 2022** and that copies of the annual audit report have been filed in the District's office, located at:

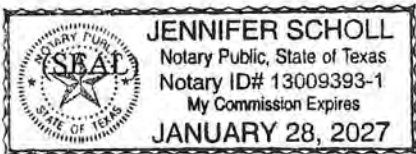
**100 Congress Ave., Suite 1300 Austin, TX 78701**  
(Address of District's Office)

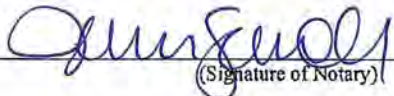
This annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements of Texas Water Code Section 49.194.

Date: February 10, 2023

By:   
(Signature of District Representative)  
Benjamin L. Green, Vice President  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 10 day of February, 2023.



  
(Signature of Notary)

My Commission Expires On: January 28, 2027.  
Notary Public in the State of Texas

# **INDEPENDENT AUDITOR'S REPORT**

**McCALL GIBSON SWEDLUND BARFOOT PLLC**  
*Certified Public Accountants*

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

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

**INDEPENDENT AUDITOR'S REPORT**

Board of Directors  
Round Rock Municipal Utility District No. 2  
Williamson County, Texas

**Opinions**

We have audited the accompanying financial statements of the governmental activities and major fund of Round Rock Municipal Utility District No. 2 (the "District") as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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

**Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

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

### **Required Supplementary Information**

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

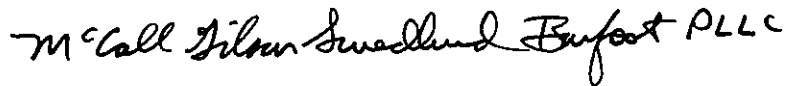
### Supplementary Information

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

### Other Information

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

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



McCall Gibson Swedlund Barfoot PLLC  
Certified Public Accountants  
Houston, Texas

February 10, 2023

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022**

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In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Round Rock Municipal Utility District No. 2 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2022. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

**FINANCIAL HIGHLIGHTS**

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance was a deficit balance of \$6,262, a decrease of \$9,951 from the previous fiscal year. Revenues were \$49,879, expenditures were \$84,830 and other financing sources were \$25,000 for the fiscal year ending September 30, 2022.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenditures net of revenues of \$18,777 in the current fiscal year. Net position decreased from a deficit balance of \$96,311 at September 30, 2021 to a deficit balance of \$115,088 at September 30, 2022.

**OVERVIEW OF THE DISTRICT**

The District was created by Order of the Texas Commission on Environmental Quality dated January 16, 2020 under terms and conditions of Article XVI, Section 59 of the Texas Constitution and Texas Water Code Chapters 49 and 54 for, among other purposes, financing the construction of the water, wastewater, drainage, road and recreational facilities within its boundaries, as contemplated in the Consent and Development Agreement passed and approved by the City of Round Rock, Texas, effective May 9, 2019. The District was confirmed by voters at an election held on November 3, 2020.

The District consists of 200.87 acres within the corporate limits of the City of Round Rock and Williamson County and is located approximately four miles east of IH-35, ten miles south of the City of Georgetown, and six miles west of the City of Hutto.

**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022**

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**USING THIS ANNUAL REPORT**

This annual report consists of five parts:

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

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

	<u>Summary Statement of Net Position</u>		Change Increase (Decrease)
	Governmental Activities		
	2022	2021	
Current and other assets	\$ 28,223	\$ 16,965	\$ 11,258
Non-current assets	-	-	-
<b>Total Assets</b>	<b>\$ 28,223</b>	<b>\$ 16,965</b>	<b>\$ 11,258</b>
Current liabilities	\$ 18,311	\$ 13,276	\$ 5,035
Long-term liabilities	125,000	100,000	25,000
<b>Total Liabilities</b>	<b>\$ 143,311</b>	<b>\$ 113,276</b>	<b>\$ 30,035</b>
Unrestricted	\$ (115,088)	\$ (96,311)	\$ (18,777)
<b>Total Net Position</b>	<b>\$ (115,088)</b>	<b>\$ (96,311)</b>	<b>\$ (18,777)</b>

The District's net position decreased by \$18,777 during the 2022 fiscal year to a deficit balance of \$115,088 at September 30, 2022 from the previous year's deficit balance of \$96,311.

**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022**

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**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)**

**Revenues and Expenses:**

	<u>Summary Statement of Activities</u>		Change Increase (Decrease)
	Governmental Activities		
	2022	2021	
Property taxes	\$ 66,053	\$ -	\$ 66,053
Total Revenues	<u>\$ 66,053</u>	<u>\$ -</u>	<u>\$ 66,053</u>
Professional fees	\$ 75,647	\$ 66,277	\$ 9,370
Other	9,183	11,507	(2,324)
Total Expenses	<u>\$ 84,830</u>	<u>\$ 77,784</u>	<u>\$ 7,046</u>
Change in Net Position	\$ (18,777)	\$ (77,784)	\$ 59,007
Beginning Net Position	(96,311)	(18,527)	(77,784)
Ending Net Position	<u>\$ (115,088)</u>	<u>\$ (96,311)</u>	<u>\$ (18,777)</u>

Revenues were \$66,053 and expenses were \$84,830 for the fiscal year ended September 30, 2022. The District levied a property tax of \$0.511 per \$100 on taxable assessed valuation of \$9,760,967 for the 2021 tax year (2022 fiscal year). Net position decreased by \$18,777 during the 2022 fiscal year.

**ROUND ROCK  
MUNICIPAL UTILITY DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED SEPTEMBER 30, 2022**

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**ANALYSIS OF GOVERNMENTAL FUND**

	<u>Governmental Fund by Year</u>		
	2022	2021	2020
Cash	\$ 7,154	\$ 16,223	\$ 5,000
Receivables	16,174	-	-
Prepaid expenditures	4,895	742	-
Total Assets	<u>\$ 28,223</u>	<u>\$ 16,965</u>	<u>\$ 5,000</u>
Accounts payable	\$ 18,311	\$ 13,276	\$ 18,527
Total Liabilities	<u>\$ 18,311</u>	<u>\$ 13,276</u>	<u>\$ 18,527</u>
Deferred Inflows of Resources	\$ 16,174	\$ -	\$ -
Nonspendable	\$ 4,895	\$ 742	\$ -
Unassigned	(11,157)	2,947	(13,527)
Total Fund Balance	<u>\$ (6,262)</u>	<u>\$ 3,689</u>	<u>\$ (13,527)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 28,223</u>	<u>\$ 16,965</u>	<u>\$ 5,000</u>

As of September 30, 2022, the District's governmental fund reflected a fund balance deficit of \$6,262, a decrease of \$9,951 over the previous fiscal year.

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

The property tax assessed value for the 2022 tax year is approximately \$62.8 million. The District levied a tax rate for fiscal year 2023 (2022 tax year) of \$0.511 on each \$100 of taxable value. All of the property tax collected during fiscal year 2023 will fund general operating expenditures.

The adopted budget for fiscal year 2023 projects an increase of \$193,592 in operating fund balance.

**REQUESTS FOR INFORMATION**

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

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# **FINANCIAL STATEMENTS**

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash	\$ 7,154	\$ -	\$ 7,154
Receivables -			
Property taxes	16,174	-	16,174
Prepaid costs	4,895	-	4,895
<b>TOTAL ASSETS</b>	<u>\$ 28,223</u>	<u>-</u>	<u>28,223</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 18,311	-	18,311
Long-term liabilities -			
Due to developer	-	125,000	125,000
<b>TOTAL LIABILITIES</b>	<u>18,311</u>	<u>125,000</u>	<u>143,311</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Deferred revenue - property taxes	16,174	(16,174)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>16,174</u>	<u>(16,174)</u>	<u>-</u>
<b><u>FUND BALANCE / NET POSITION</u></b>			
Fund balance:			
Nonspendable	4,895	(4,895)	-
Unassigned	(11,157)	11,157	-
<b>TOTAL FUND BALANCE</b>	<u>(6,262)</u>	<u>6,262</u>	<u>-</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 28,223</u>		
Net position -			
Unrestricted		(115,088)	(115,088)
<b>TOTAL NET POSITION</b>		<u>\$ (115,088)</u>	<u>\$ (115,088)</u>



**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED SEPTEMBER 30, 2022**

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Activities</u>
<b><u>REVENUES:</u></b>			
Property taxes, including penalties	\$ 49,879	\$ 16,174	\$ 66,053
<b>TOTAL REVENUES</b>	<b>\$ 49,879</b>	<b>\$ 16,174</b>	<b>\$ 66,053</b>
<b><u>EXPENDITURES / EXPENSES:</u></b>			
Legal fees	\$ 40,617	\$ -	\$ 40,617
Engineering fees	20,630	-	20,630
Accounting fees	6,400	-	6,400
Audit fees	8,000	-	8,000
Tax appraisal/collection fees	270	-	270
Director fees, including payroll taxes	4,683	-	4,683
Insurance	2,001	-	2,001
Other	2,229	-	2,229
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>\$ 84,830</b>	<b>\$ -</b>	<b>\$ 84,830</b>
Excess (deficit) of revenues over (under) expenditures/expenses	\$ (34,951)	\$ 16,174	\$ (18,777)
<b><u>OTHER FINANCING SOURCES -</u></b>			
Developer advances	\$ 25,000	\$ (25,000)	\$ -
<b>TOTAL OTHER FINANCING SOURCES</b>	<b>\$ 25,000</b>	<b>\$ (25,000)</b>	<b>\$ -</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ (9,951)</b>	<b>\$ 9,951</b>	<b>\$ -</b>
<b>CHANGE IN NET POSITION</b>		<b>(18,777)</b>	<b>(18,777)</b>
<b><u>FUND BALANCE / NET POSITION:</u></b>			
Beginning of the year	3,689	(100,000)	(96,311)
End of the year	<u>\$ (6,262)</u>	<u>\$ (108,826)</u>	<u>\$ (115,088)</u>

*The accompanying notes are an integral part of this statement.*

**NOTES TO THE  
FINANCIAL STATEMENTS**

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Round Rock Municipal Utility District No. 2 (the "District") relating to the fund included in the accompanying financial statements conform to generally accepted accounting principles ("GAAP") as applied to governmental entities. GAAP for local governments include those principles prescribed by the *Governmental Accounting Standards Board* ("GASB"), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

**Reporting Entity** - The District, a political subdivision of the State of Texas, was created by Order of the Texas Commission on Environmental Quality dated January 16, 2020 under the terms and conditions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code for, among other purposes, financing the construction of the water, wastewater, drainage, and recreational facilities within its boundaries, as contemplated in the Consent and Development Agreement passed and approved by the City of Round Rock, Texas (the "City") on May 9, 2019. At an election held on November 3, 2020, voters confirmed the creation of the District. The reporting entity of the District encompasses those activities and functions over which the District's officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board"), the members of which have been elected or deemed elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District's reporting entity.

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

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

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

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

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

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

- **Government-wide Statements:** The District's statement of net position includes both non-current assets and non-current liabilities of the District, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. In addition, the government-wide statement of activities column reflects depreciation and amortization expense on the District's capital and intangible assets, including infrastructure.

The government-wide focus is more on the sustainability of the District as an entity and the change in aggregate financial position resulting from financial activities of the fiscal period. The focus of the fund financial statements is on the individual funds of the governmental categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

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

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

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

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

***Basis of Accounting***

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

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

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

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

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

The District may report unearned revenue on its balance sheet. Unearned revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. In subsequent periods, when revenue recognition criteria are met, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**1. SIGNIFICANT ACCOUNTING POLICIES (continued) –**

*Pensions* - The District has not established a pension plan because the District does not have employees. The Internal Revenue Service has determined that fees of office paid to Directors are considered to be wages subject to federal income tax withholding for payroll purposes.

*Cash* - Includes cash on deposits.

*Fund Balance* - Fund balances in governmental funds are classified using the following hierarchy:

- *Nonspendable*: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted*: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally. The District does not have any restricted fund balances.
- *Committed*: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.
- *Assigned*: amounts that do not meet the criteria to be classified as restricted or committed, but that are intended to be used for specific purposes. The District 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 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.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**2. RECONCILIATION OF THE GOVERNMENTAL FUND**

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

Fund Balance - Governmental Fund	\$	(6,262)
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred revenue for revenues earned but not available.		16,174
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds - Due to developer		<u>(125,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(115,088)</u></u>

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

Net Change in Fund Balance - Governmental Fund	\$	(9,951)
Amounts reported for governmental activities in the Statement of Activities are different because: Governmental funds report:		
Tax revenue when collected	\$	16,174
Developer advances when received		<u>(25,000)</u>
Change in Net Position - Governmental Activities	\$	<u><u>(18,777)</u></u>

**3. CASH**

The investment policies of the District are governed by Section 2256 of the Texas Government Code (the "Public Funds Investment Act") and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy, which complies with the Public Funds Investment Act, include: depositories must be Federal Deposit Insurance Corporation ("FDIC") insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; and securities collateralizing time deposits are held by independent third party trustees.

At September 30, 2022, the carrying amount of the District's cash was \$7,154 and the bank balance was \$7,431. The bank balance was covered by federal depository insurance.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Williamson Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 13, 2021.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2021 tax roll. The tax rate, based on total taxable assessed valuation of \$9,760,967 was \$0.511 on each \$100 valuation and was allocated solely to the General Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters at an election held on May 1, 2021.

Property taxes of \$16,174 were receivable as of September 30, 2022.

**5. BONDED DEBT**

The District has not issued any debt as of September 30, 2022. Bonds authorized but not issued as of September 30, 2022, are as follows:

<u>Type</u>	<u>Amount</u>
Unlimited Tax Bonds	\$ 26,715,000
Road Bonds	\$ 20,425,000
Park and Recreational Facilities	\$ 3,760,000

**6. COMMITMENTS AND CONTINGENCIES**

The developers of the land within the District have incurred costs for the construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues, subject to approval by the Commission, or from operations. On November 3, 2020, a bond election held within the District approved authorization to issue \$26,715,000 of bonds to fund water, wastewater and drainage system facilities. Additionally, \$3,760,000 of bonds to fund parks and recreational facilities and \$20,425,000 to fund road improvements were approved by voters of the District. As of September 30, 2022, the District has not issued any bonds to repay the developers. The District owes the developers \$125,000 for advances used to fund operating expenditures as of September 30, 2022.



**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**7. RISK MANAGEMENT**

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

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

**8. CONSENT AND DEVELOPMENT AGREEMENT**

Pursuant to the Consent and Development Agreement (the “Consent Agreement”) dated effective May 9, 2019 between the District, the developers, and the City, the District and the developers will design, finance, and construct all water, wastewater and drainage facilities as well as roads and road improvements and park and recreational facilities required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of the facilities constructed by or on behalf of the District, and following the City’s acceptance of such facilities, the facilities will be conveyed to the City. In exchange for the conveyance of the water, wastewater and drainage facilities to serve the District, the City agrees to operate and maintain all water, wastewater and drainage facilities conveyed and to provide retail water and wastewater services to customers within the District at the City’s standard water and wastewater rates. The City will also operate and maintain the park and recreational facilities as part of the City’s park system and will maintain all road and road improvements conveyed to the City pursuant to the Consent Agreement. The Consent Agreement will continue in effect until the District is dissolved as described in the Consent Agreement.

**9. SUBSEQUENT EVENTS**

On October 25, 2022, the District issued \$6,500,000 of Series 2022 Unlimited Tax Bonds, the proceeds of which were used to reimburse the developers within the District for certain water, wastewater and drainage facilities and fund future interest payments on the bonds and pay bond issue costs. The Series 2022 bonds were sold with interest rates ranging from 4.00% to 5.125% and principal maturities through September 2047.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2022**

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**9. SUBSEQUENT EVENTS (continued) -**

On November 17, 2022, the District issued \$3,500,000 of Series 2022A Unlimited Tax Road Bonds, the proceeds of which were used to reimburse the developers within the District for certain road improvements and fund future interest payments on the bonds and pay bond issue costs. The Series 2022A bonds were sold with interest rates ranging from 4.00% to 5.50% and principal maturities through September 2047.

**10. FUND DEFICIT**

The General Fund had a deficit unassigned fund balance of \$11,157 at September 30, 2022. This deficit represents cumulated expenditures in excess of revenues due to the District being in the early stage of development. Currently, the developers are funding operations, but management believes that, as development continues, the District will become self-funded.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED SEPTEMBER 30, 2022**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 49,879	\$ 49,879	\$ -
<b>TOTAL REVENUES</b>	<u>\$ 49,879</u>	<u>\$ 49,879</u>	<u>\$ -</u>
<b>EXPENDITURES:</b>			
Legal fees	\$ 40,617	\$ 45,000	\$ 4,383
Engineering fees	20,630	24,000	3,370
Accounting fees	6,400	12,450	6,050
Audit fees	8,000	8,000	-
Financial advisor fees	-	1,500	1,500
Tax appraisal/collection fees	270	500	230
Director fees, including payroll taxes	4,683	4,842	159
Insurance	2,001	1,500	(501)
Other	2,229	1,250	(979)
<b>TOTAL EXPENDITURES</b>	<u>\$ 84,830</u>	<u>\$ 99,042</u>	<u>\$ 14,212</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (34,951)</u>	<u>\$ (49,163)</u>	<u>\$ 14,212</u>
<b>OTHER FINANCING SOURCES -</b>			
Developer advances	\$ 25,000	\$ 49,163	\$ (24,163)
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>\$ 25,000</u>	<u>\$ 49,163</u>	<u>\$ (24,163)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (9,951)</u>	<u>\$ -</u>	<u>\$ (9,951)</u>
<b>FUND BALANCE:</b>			
Beginning of the year	<u>3,689</u>		
End of the year	<u>\$ (6,262)</u>		

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**TEXAS SUPPLEMENTARY  
INFORMATION**

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**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-1. SERVICES AND RATES**  
**SEPTEMBER 30, 2022**

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

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

**2. Retail Service Providers**

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

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
WATER:	(1)	(1)	(1)	(1)	(1)
WASTEWATER:	(1)	(1)	(1)	(1)	(1)
SURCHARGE:	(1)	(1)	(1)	(1)	(1)

District employs winter averaging for wastewater usage?      Yes       No

Total charges per 10,000 gallons usage:    Water      (1)      Wastewater      (1)

**b. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered			1.0	
< 3/4"			1.0	
1"			2.5	
1 1/2"			5.0	
2"			8.0	
3"			15.0	
4"			25.0	
6"			50.0	
8"			80.0	
10"			115.0	
Total Water	(1)	(1)		(1)
Total Wastewater	(1)	(1)	1.0	(1)

<sup>(1)</sup> Water and wastewater service is provided to District residents by City of Round Rock, Texas. In addition, all drainage, roads and road improvements, and park and recreation facilities will be conveyed to the City of Round Rock for operation and maintenance.



**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-1. SERVICES AND RATES (continued)**  
**SEPTEMBER 30, 2022**

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

Gallons pumped into system: \_\_\_\_\_ (1)  
Gallons billed to customers: \_\_\_\_\_ (1)

<b>Water Accountability Ratio</b> (Gallons billed / Gallons Pumped) N/A
---

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

Does the District assess standby fees?                      Yes     No

If yes, Date of the most recent Commission Order: \_\_\_\_\_

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

If yes, Date of the most recent Commission Order: \_\_\_\_\_

**5. Location of District**

County(ies) in which district is located: \_\_\_\_\_ Williamson County, Texas \_\_\_\_\_

Is the District located entirely within one county?                      Yes     No

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

City(ies) in which district is located: \_\_\_\_\_ City of Round Rock \_\_\_\_\_

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

Entirely     Partly     Not at all

ETJ's in which district is located: \_\_\_\_\_

Are Board members appointed by an office outside the district?

Yes     No

If Yes, by whom? \_\_\_\_\_  
\_\_\_\_\_

<sup>(1)</sup> Water and wastewater service is provided to District residents by City of Round Rock, Texas. In addition, all drainage, roads and road improvements, and park and recreation facilities will be conveyed to the City of Round Rock for operation and maintenance.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-2. GENERAL FUND EXPENDITURES**  
**SEPTEMBER 30, 2022**

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		8,000
Legal		40,617
Engineering		20,630
Financial Advisor		-
Purchased Services For Resale:		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		6,400
General Manager		-
Appraisal District/Tax Collector		270
Other Contracted Services		-
Utilities		-
Repairs and Maintenance		-
Chemicals		-
Administrative Expenditures:		
Directors' Fees		4,683
Office Supplies		-
Insurance		2,001
Election Costs		-
Other Administrative Expenditures		2,229
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Bad Debt		-
Parks and Recreation		-
Other Expenditures		-
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>84,830</b>

Number of persons employed by the District:

Full-Time

Part-Time

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-3. TEMPORARY INVESTMENTS**  
**SEPTEMBER 30, 2022**

---

<b>Funds</b>	<b>Identification or Certificate Number</b>	<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Balance at End of Year</b>	<b>Accrued Interest Receivable at End of Year</b>
--------------	---	--------------------------	--------------------------	---------------------------------------	---

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The District does not have any investments at September 30, 2022.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-4. TAXES LEVIED AND RECEIVABLE**  
**SEPTEMBER 30, 2022**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>
<b>Taxes Receivable, Beginning of Year</b>	\$ -	\$ -
2021 Original Tax Levy, less abatements	49,879	-
Rollbacks	16,174	-
	66,053	-
Total to be accounted for		
Tax collections:		
Current year	49,879	-
Prior years	-	-
Total collections	49,879	-
<b>Taxes Receivable, End of Year</b>	\$ 16,174	\$ -
<b>Taxes Receivable, By Tax Years</b>		
Rollbacks	\$ 16,174	\$ -
2021	-	-
<b>Taxes Receivable, End of Year</b>	\$ 16,174	\$ -
<b>Property Valuations:</b>	<b>2021</b>	<b>2020</b>
Land and improvements	\$ 9,760,967 (a)	\$ - (a)
<b>Total Property Valuations</b>	\$ 9,760,967	\$ -
<b>Tax Rates per \$100 Valuation:</b>		
Debt Service tax rates	\$ -	\$ -
Maintenance tax rates	0.511	-
<b>Total Tax Rates per \$100 Valuation:</b>	\$ 0.511	\$ -
<b>Tax Levy</b>	\$ 49,879	\$ -
<b>Percent of Taxes Collected to Taxes Levied **</b>	100%	-
<b>Maximum Maintenance Tax Approved by Voters:</b>	\$ 1.00 on	5/1/2021

\* District did not levy a tax in 2020.

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

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

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2  
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
SEPTEMBER 30, 2022**

---

The District has not issued any long-term debt at September 30, 2022.

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-6. CHANGES IN LONG-TERM BONDED DEBT**  
**SEPTEMBER 30, 2022**

	<b>Total</b>
Interest Rate	
Dates Interest Payable	
Maturity Dates	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ -
Bonds Sold During the Current Fiscal Year	-
Retirements During the Current Fiscal Year:	
Principal	-
Refunded	-
Bonds Outstanding at End of Current Fiscal Year	\$ -
Interest Paid During the Current Fiscal Year	\$ -

Paying Agent's Name and Address:

	Unlimited Tax Bonds*	Road Bonds*	Park and Recreational Facilities*	Refunding
Bond Authority:				
Amount Authorized by Voters	\$ 26,715,000	\$ 20,425,000	\$ 3,760,000	\$ 76,355,000
Amount Issued	-	-	-	-
Remaining To Be Issued	\$ 26,715,000	\$ 20,425,000	\$ 3,760,000	\$ 76,355,000

\* Includes all bonds secured with tax revenues. Bonds in this category may also be with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2022: \$ -

Average Annual Debt Service Payment (Principal and Interest) for the remaining term of all debt: \$ -

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - THREE YEARS**  
**SEPTEMBER 30, 2022**

	Amounts			Percent of Fund Total Revenues		
	2022	2021	2020*	2022	2021	2020*
<b>GENERAL FUND REVENUES:</b>						
Property taxes, including penalties	\$ 49,879	\$ -	\$ -	66.6%	-	-
Developer advances	25,000	95,000	5,000	33.4%	100.0%	100.0%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>74,879</b>	<b>95,000</b>	<b>5,000</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES:</b>						
Legal fees	40,617	47,131	10,521	54.2%	49.6%	210.4%
Engineering fees	20,630	15,396	5,900	27.6%	16.2%	118.0%
Accounting fees	6,400	3,750	850	8.5%	3.9%	17.0%
Audit fees	8,000	-	-	10.7%	-	-
Tax appraisal/collection fees	270	-	-	0.4%	-	-
Public notice	-	423	571	-	0.4%	11.4%
Director fees, including payroll taxes	4,683	7,428	-	6.2%	7.8%	-
Insurance	2,001	1,650	25	2.7%	1.7%	0.5%
Other	2,229	2,006	660	3.0%	2.1%	13.2%
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>84,830</b>	<b>77,784</b>	<b>18,527</b>	<b>113.3%</b>	<b>81.9%</b>	<b>370.5%</b>
<b>EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES</b>	<b>\$ (9,951)</b>	<b>\$ 17,216</b>	<b>\$ (13,527)</b>	<b>-13.3%</b>	<b>18.1%</b>	<b>-270.5%</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>			
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS</b>	<b>(1)</b>	<b>(1)</b>	<b>(1)</b>			

(1) City of Round Rock, Texas provides water and wastewater service.

\* Unaudited

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS**  
**SEPTEMBER 30, 2022**

<b>Complete District Mailing Address:</b>	100 Congress Ave., Suite 1300 Austin, TX 78701
<b>District Business Telephone Number:</b>	(512) 435-2300
<b>Submission Date of the most recent District Registration Form TWC Sections 36.054 and 49.054):</b>	August 8, 2022
<b>Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)</b>	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 9/30/2022	Expense Reimbursements 9/30/2022	Title at Year End
<i>Board Members:</i>				
REYNOLD BERRA	(Elected) 5/7/2022 - 5/2/2026	\$ 1,050	\$ -	President
BENJAMIN L. GREEN	(Elected) 5/7/2022 - 5/2/2026	\$ 1,050	\$ -	Vice President
CHRISTOPHER P. ELLIOTT	(Elected) 11/3/2020 - 5/4/2024	\$ 1,050	\$ -	Secretary
LUKE CARAWAY	(Elected) 11/3/2020 - 5/4/2024	\$ 300	\$ -	Assistant Secretary
CODY SCHROEDER	(Elected) 11/3/2020 - 5/4/2024	\$ 900	\$ -	Assistant Secretary
<i>Consultants:</i>				
Armbrust & Brown, PLLC	2/13/2020	\$ 39,624	\$ -	Attorney
Kitchen Table Civil Solutions	2/13/2020	\$ 21,080	\$ -	Engineer
Bott & Douthitt, PLLC	6/11/2020	\$ 5,975	\$ -	Accountant
McCall Gibson Swedlund Barfoot PLLC	12/13/2021	\$ 8,000	\$ -	Auditor
Public Finance Group LLC	2/13/2020	\$ -	\$ -	Financial Advisor
McCall Parkhurst & Horton	2/13/2020	\$ -	\$ -	Bond Counsel
Williamson County Tax Collector	11/17/2020	\$ 3	\$ -	Tax Collector

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



**OTHER SUPPLEMENTARY  
INFORMATION**

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**OSI-1. PRINCIPAL TAXPAYERS**  
**SEPTEMBER 30, 2022**

Taxpayer	Type of Property	Tax Roll Year		
		2022	2021	2020*
Meritage Homes of Texas LLC	N/A	\$ 17,091,296	\$ -	\$ -
Meritage Homes of TX LLC & Tri Point Homes TX Inc.	N/A	11,352,000	-	-
Trendmaker Homes Inc. & Tri Point Homes Texas Inc.	N/A	5,862,108	-	-
Meritage Homes of Texas LLC	N/A	5,418,000	-	-
Meritage Homes of Texas LLC & Tri Point Homes Texas Inc.	N/A	4,771,485	-	-
Homeowner	N/A	735,565	-	-
Homeowner	N/A	591,726	-	-
Homeowner	N/A	590,553	-	-
Homeowner	N/A	578,509	-	-
Homeowner	N/A	575,092	-	-
Meritage Homes of Texas LLC & Trendmaker Homes Inc.	N/A	-	9,081,926	-
Cressman Estate	N/A	-	480,390	-
Cressman Enterprises LP	N/A	-	72,701	-
Berra	N/A	-	25,190	-
Caraway	N/A	-	25,190	-
Elliott	N/A	-	25,190	-
Green	N/A	-	25,190	-
Schroeder	N/A	-	25,190	-
<b>Total</b>		<b>\$ 47,566,334</b>	<b>\$ 9,760,967</b>	<b>\$ -</b>
Percent of Assessed Valuation		<b>75.7%</b>	<b>100%</b>	<b>-</b>

\* District did not assess taxes

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**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2**  
**OSI-2. ASSESSED VALUE BY CLASSIFICATION**  
**SEPTEMBER 30, 2022**

Type of Property	Tax Roll Year					
	2022		2021		2020*	
	Amount	%	Amount	%	Amount	%
Residential Single Family	\$ 5,743,115	9.1%	\$ -	-	\$ -	-
Vacant Platted Lots	3,559,707	5.7%	-	-	-	-
Real Acreage	93,489	0.1%	7,062,680	72.4%	-	-
Farm and Ranch Improvements	5,079,002	8.1%	9,742,246	99.8%	-	-
Business Personal Property	63,356	0.1%	-	-	-	-
Residential Inventory	48,869,135	77.8%	-	-	-	-
Adjustments & Exemptions	<u>(591,592)</u>	<u>-0.9%</u>	<u>(7,043,959)</u>	<u>-72.2%</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 62,816,212</u>	<u>100.0%</u>	<u>\$ 9,760,967</u>	<u>100.0%</u>	<u>\$ -</u>	<u>-</u>

\* District did not assess taxes

**APPENDIX B**  
**Form of Bond Counsel Opinion**

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

**ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2  
UNLIMITED TAX BONDS, SERIES 2023  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$3,270,000**

**AS BOND COUNSEL FOR ROUND ROCK MUNICIPAL UTILITY DISTRICT NO. 2** (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on September 7, 2023 authorizing the issuance of the Bonds (the "Bond Order").

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

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



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

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

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

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

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



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

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

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

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

Respectfully,



**APPENDIX C**  
**Specimen Municipal Bond Insurance Policy**



**BAM**

**MUNICIPAL BOND  
INSURANCE POLICY**

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_  
Member Surplus Contribution: \$ \_\_\_\_\_  
Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:

[claims@buildamerica.com](mailto:claims@buildamerica.com)

Address:

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

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

