

OFFICIAL STATEMENT DATED JULY 8, 2024

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing 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 “BANK QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

\$5,230,000

RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)
UNLIMITED TAX BONDS, SERIES 2024

Dated: August 15, 2024

Due: August 15, as shown on the inside cover page

Interest to Accrue from the Date of Initial Delivery (defined herein)

GENERAL . . . The bonds described above (the “Bonds”) are obligations solely of Rancho del Cielo Municipal Utility District (the “District”) and are not obligations of the State of Texas (the “State”), Williamson County, the City of Jarrell, Texas (the “City” or “Jarrell”), Jarrell Independent School District or any entity other than the District.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. **THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS DESCRIBED HEREIN. See “RISK FACTORS.”**

PAYMENT TERMS . . . Principal of the Bonds is payable at maturity or earlier redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”) upon surrender of the Bonds for payment. Interest on the Bonds is payable each February 15 and August 15, commencing February 15, 2025, until maturity or prior redemption. Interest on the Bonds accrues from the Date of Initial Delivery and will be payable on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully registered form in denominations of \$5,000 each or integral multiples thereof. The Bonds are subject to redemption prior to their maturity as shown below.

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

CUSIP PREFIX: 75212A
MATURITY SCHEDULE
See inside cover page

REDEMPTION PROVISIONS . . . The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 15, 2031 in whole or from time to time in part, on August 15, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2034, 2045 and 2053 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

LEGAL . . . The Bonds are offered by the Purchaser subject to prior sale, when, as and if issued by the District and accepted by the Purchaser, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel. See “LEGAL MATTERS.”

DELIVERY . . . Delivery of the Bonds through DTC is expected on August 15, 2024 (the “Date of Initial Delivery”).

MATURITY SCHEDULE

<u>8/15 Maturity</u>	<u>Principal Amount</u>	<u>Interest Rate^(a)</u>	<u>Initial Yield^(b)</u>	<u>CUSIP Numbers^(c)</u>
2026	\$ 85,000	6.875%	4.150%	75212AAA1
2027	85,000	6.875%	4.150%	75212AAB9
2028	90,000	6.875%	4.150%	75212AAC7
2029	95,000	6.875%	4.150%	75212AAD5
2030	105,000	6.875%	4.150%	75212AAE3
2031	110,000	5.625%	4.150% ^(d)	75212AAF0

\$360,000 5.000%^(a) Term Bonds due August 15, 2034 Priced to Yield 4.200%^{(b)(d)} – 75212AAJ2^(c)
\$1,950,000 4.500%^(a) Term Bonds due August 15, 2045 Priced to Yield 4.500%^(b) – 75212AAV5^(c)
\$2,350,000 4.375%^(a) Term Bonds due August 15, 2053 Priced to Yield 4.692%^(b) – 75212ABD4^(c)

(Interest to Accrue from the Date of Initial Delivery)

- (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 97.002% of par, resulting in a net effective interest rate to the District of 4.6528148%.
- (b) Initial yield represents the initial offering yield to the public, which has been established by the Purchaser (as herein defined) for offers to the public and which subsequently may be changed.
- (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 Global Services. None of the Purchaser, the District, or the Financial Advisor are 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 enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.
- (d) Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2030, the first optional redemption date for such Bonds, at a redemption price of par, plus accrued interest to the redemption date.

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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.

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. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, to the extent that information actually comes to its attention, until delivery of the Bonds to the Purchaser and thereafter only as specified in "PREPARATION OF OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period" and "CONTINUING DISCLOSURE OF INFORMATION."

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.

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The cover page hereof, this page, the schedule and appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

SALE AND DISTRIBUTION OF THE BONDS

AWARD OF THE BONDS . . . After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by SAMCO Capital Markets (the “Purchaser”) bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.002% of the par value thereof to the date of delivery which resulted in a net effective interest rate of 4.6528148% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the “IBA” method).

PRICES AND MARKETABILITY . . . The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Purchaser on or before the date of 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 Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Purchaser. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by certain events. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the 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 Purchaser may over-allot or effect transactions which stabilize or maintain the market prices of the Bonds at levels above those which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The District has no control over trading of the Bonds in the secondary market. Moreover, there is no guarantee that a secondary market will be made in the Bonds. In such a secondary market, the difference between the bid and asked price of utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities may be more generally bought, sold or traded in the secondary market. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by certain events. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

Subject to prevailing market conditions, the 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 by certain events. See “RISK FACTORS.” Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes. See “RISK FACTORS – No Certainty of a Secondary Market.”

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

The statements contained in the 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 the 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.”

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.

NO MUNICIPAL BOND RATING OR INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. No application has been made to any municipal bond insurance company for qualification of the Bonds for municipal bond insurance.

OFFICIAL STATEMENT SUMMARY

The following is a brief summary of certain information contained herein which is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The summary should not be detached and should be used in conjunction with more complete information contained herein. A full review should be made of the entire Official Statement and of the documents summarized or described herein.

THE DISTRICT

<i>Description...</i>	The District was created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) on April 27, 2021 and is a political subdivision of the State of Texas, and confirmed pursuant to an election held within the District on November 8, 2022. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. At the time of creation, the District contained 198.487 acres of land. By an order dated August 9, 2021, the District annexed 39.351 acres. The District consists of approximately 237.838 acres of land, a portion of which is located within the extraterritorial jurisdiction of the City of Jarrell, Texas (the “City”). See “THE DISTRICT.”
<i>Location...</i>	The District is comprised of two non-contiguous tracts located in Williamson County approximately 10.5 miles north of the City of Georgetown. The northern portion (39.351 acres) is located west of IH 35 and at the intersection of CR 305 and CR 307 and is located within the extraterritorial jurisdiction (ETJ) of the City of Jarrell. The southern portion of the District (198.487 acres) is located west of IH 35, west of CR 237 and north of CR 238, and is not located within the incorporated limits or ETJ of any municipality. See “AERIAL BOUNDARY MAP.”
<i>The Developer....</i>	Pursuant to the assignment of a reimbursement agreement with the District, Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership (the “Developer” or “Lennar Homes”) is responsible for lot development and homebuilding within the District. See “THE DISTRICT – History and Status of Development” and “THE DEVELOPER.”
<i>Homebuilder...</i>	According to the Developer, Lennar Homes is the only active homebuilder within the District. Homes range in price from \$241,990 to \$349,990, with square footage ranging from approximately 1,266 to 1,952. See “THE DISTRICT – Homebuilder.”
<i>Status of Development...</i>	<p>Development of land within the District began in 2022. The District is presently being developed for single-family residential and multi-family residential. The Developer has completed the design and construction of water, sanitary sewer and drainage facilities to serve 603 living unit equivalents (“LUEs”) of the projected 1,785 LUEs in the District. Construction of homes in the District began in 2022 and, as of May 29, 2024, there were approximately 357 completed and occupied single-family homes in the District, 21 homes completed and not occupied, 70 single-family homes under construction, and 155 vacant lots available for construction. See “THE DISTRICT.”</p> <p>The District contains approximately 113.19 acres of developable land that have not been provided with water, sanitary sewer and drainage facilities as of May 29, 2024 (excluding acreage currently under active development). In the opinion of the District’s engineers, the remaining authorized but unissued bonds are expected to be sufficient to fund water, sanitary sewer and drainage services to all areas now within the District. Undevelopable acreage in the District is included in the plats. See “THE DISTRICT – History and Status of Development.”</p>
<i>Payment Record...</i>	The Bonds constitute the first installment of bonds issued by the District.

THE BONDS

<i>Description...</i>	<p>\$5,230,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”) are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds adopted by the District’s Board of Directors (the “Board”) on July 8, 2024. The Bonds are scheduled to mature in various amounts on August 15 in the years 2026 through 2031, inclusive, and as Term Bonds maturing on August 15 in the years 2034, 2045 and 2053. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000.</p> <p>Interest on the Bonds accrues from the Date of Initial Delivery and is payable February 15, 2025 and each August 15 and February 15 thereafter, until the earlier of maturity or</p>
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<i>Book-Entry-Only...</i>	redemption. See “THE BONDS.” DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.
<i>Redemption...</i>	Bonds maturing on and after August 15, 2031, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 15, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. See “THE BONDS – Redemption.” Additionally, Term Bonds maturing on August 15 in the years 2034, 2045 and 2053 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”
<i>Use of Proceeds...</i>	Proceeds from the sale of the Bonds will be used to (i) purchase the Rancho del Cielo offsite water line for Phase 1, (ii) purchase the Rancho del Cielo offsite force main for Phase 1, (iii) pay for engineering and permitting, (iv) fund approximately 24 months of capitalized interest, (v) pay developer interest, and (vi) pay costs of issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS” and “THE SYSTEM.”
<i>Authority for Issuance...</i>	The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (“TCEQ”); the terms and conditions of the order authorizing the Bonds adopted on the date of sale of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 8, 2022; and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS – General” and “THE BONDS – Authority for Issuance” and “THE BONDS – Issuance of Additional Debt.”
<i>Bonds Authorized But Unissued...</i>	At an election held within the District on November 8, 2022, the voters within the District approved the issuance of \$106,500,000 in unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities. After the sale of the Bonds, the District will have \$101,270,000 remaining in authorized but unissued unlimited tax bonds for water, wastewater, and drainage purposes. The District voters, at the election held within the District on November 8, 2022, also authorized the issuance of \$13,100,000 in unlimited tax bonds for the acquisition and construction of parks and recreational facilities and \$179,400,000 in unlimited tax refunding bonds, all of which remain authorized but unissued. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued” and “THE BONDS – Issuance of Additional Debt.”
<i>Source of Payment...</i>	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 against taxable property within the District. The Bonds are obligations of the District and are not obligations of the City, Jarrell Independent School District, Williamson County, the State of Texas or any entity other than the District. See “THE BONDS – Source of Payment” and “FINANCIAL STATEMENT.”
<i>No Municipal Bond Rating and Insurance...</i>	The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. No application has been made to any municipal bond insurance company for qualification of the Bonds for municipal bond insurance.
<i>Qualified Tax-Exempt Obligations...</i>	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 represents that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2024 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”
<i>Bond Counsel...</i>	McCall, Parkhurst & Horton L.L.P., Austin, Texas. See “MANAGEMENT OF THE DISTRICT,” “TAX MATTERS” and “LEGAL MATTERS.”
<i>General Counsel...</i>	Armbrust & Brown, PLLC, Austin, Texas. See “MANAGEMENT OF THE DISTRICT.”

Disclosure Counsel... McCall, Parkhurst & Horton L.L.P., Austin, Texas. See “MANAGEMENT OF THE DISTRICT,” and “LEGAL MATTERS.”

Financial Advisor... Specialized Public Finance Inc., Austin, Texas. See “MANAGEMENT OF THE DISTRICT.”

RISK FACTORS

The purchase and ownership of the Bonds are subject to special investment considerations and all prospective purchasers are urged to examine carefully this entire Official Statement with respect to the investment security of the Bonds, including particularly the section captioned “RISK FACTORS.”

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2022 Certified Taxable Assessed Valuation	\$	83,841 ^(a)
2023 Certified Taxable Assessed Valuation	\$	17,687,545 ^(a)
Estimated Taxable Assessed Valuation (as of May 12, 2024)	\$	59,893,499 ^(b)
Gross Direct Debt Outstanding	\$	5,230,000 ^(c)
Estimated Overlapping Debt.....		<u>1,737,664 ^(d)</u>
Gross Direct and Estimated Overlapping Debt	\$	6,967,664
Ratios of Gross Direct Debt to:		
2023 Certified Taxable Assessed Valuation		29.57%
Estimated Taxable Assessed Valuation (as of May 12, 2024)		8.73%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2023 Certified Taxable Assessed Valuation		39.39%
Estimated Taxable Assessed Valuation (as of May 12, 2024)		11.63%
Funds Available ^(d) :		
Debt Service Fund Balance as of June 10, 2024	\$	48,234
General Operating Fund Balance as of June 10, 2024	\$	78,194
2023 District Tax Rate	\$	0.9500
2023 Tax Rates of Overlapping Entities:		
Williamson County ^(f)	\$	0.3774
Jarrell Independent School District.....		1.1692
Williamson County ESD #5.....		<u>0.1000</u>
2023 Total Overlapping Tax Rate.....	\$	1.6466
Average Annual Debt Service Requirement (2025-2053)	\$	333,350 ^(e)
Maximum Annual Debt Service Requirement (2053).....	\$	365,313 ^(e)
Tax Rates Required to Pay Average Annual Debt Service (2025-2053) at a 97% Collection Rate		
Based upon 2023 Certified Taxable Assessed Valuation.....	\$	1.9430
Based upon the Estimated Taxable Assessed Valuation	\$	0.5738
Tax Rates Required to Pay Maximum Annual Debt Service (2053) at a 97% Collection Rate		
Based upon 2023 Certified Taxable Assessed Valuation.....	\$	2.1293
Based upon the Estimated Taxable Assessed Valuation	\$	0.6289
Status of Development within the District as of May 29, 2024:		
Approximate Total Completed Homes (occupied).....		357
Homes Completed (unoccupied).....		21
Homes Under Construction.....		70
Developed Lots Available for Construction.....		155
Undeveloped but Developable Acreage.....		113.19
Estimated Population		1,250 ^(g)

(a) As provided by the Williamson Central Appraisal District (the “Appraisal District” or “WCAD”).

(b) The estimated assessed valuation as of May 12, 2024, as provided by WCAD. Taxes are levied based on value as certified by WCAD as of January 1 of each year. Consequently, this estimate will not be used to procure tax revenues for the District.

(c) Includes the Bonds. See “FINANCIAL STATEMENT,” “THE BONDS – Source of Payment” and “THE SYSTEM – Water Supply and Distribution.”

(d) See “FINANCIAL STATEMENT – Estimated Overlapping Debt.”

(e) Approximately \$486,684, representing approximately twenty-four (24) months’ capitalized interest at 4.65% interest, will be deposited into the District’s Debt Service Fund from proceeds of the Bonds.

(f) Includes Williamson County’s road and bridge fund tax.

(g) Based upon 3.5 persons per occupied single-family residence.

OFFICIAL STATEMENT

\$5,230,000
RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)
UNLIMITED TAX BONDS, SERIES 2024

This Official Statement provides certain information in connection with the issuance by Rancho del Cielo Municipal Utility District (the “District”) of its \$5,230,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas (the “State”), an order authorizing the issuance of the Bonds (the “Bond Order”) to be adopted by the Board of Directors of the District (the “Board”), an order of the Texas Commission on Environmental Quality (the “TCEQ”) dated May 8, 2024 and an election held within the District on November 8, 2022.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Order, and certain other information about the District, the Developer, and development activity in the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of documents may be obtained from Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

RISK FACTORS

GENERAL . . . The Bonds are obligations solely of the District and are not obligations of the City of Jarrell (the “City”), Jarrell Independent School District, Williamson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District’s bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See “THE BONDS – Source of Payment.” 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 taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See “– Bankruptcy Limitation to Registered Owners’ Remedies” below.

FACTORS AFFECTING TAXABLE VALUES AND TAX PAYMENTS . . . *Economic Factors and Interest Rates:* A substantial percentage of the taxable value of the District results from the current market value of single-family residences and developed lots which are currently being marketed and developed by the Developer for sale to homebuilders or the construction of primary residences. The market value of such homes and lots is related to general economic conditions affecting the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability, construction costs, energy availability and the prosperity and demographic characteristics and prospects of the urban center 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 such values; and thus increase the tax rate in the District.

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which the Developer are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately 13.5 miles north of the City of Georgetown, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies. See “– Regional Economics” below.

Regional Economics: The District is comprised of two non-contiguous tracts located in Williamson County approximately 10.5 miles north of the City of Georgetown. The northern portion (39.351 acres) is located west of IH 35 and at the intersection of CR 305 and CR 307 and is located within the extraterritorial jurisdiction (ETJ) of the City of Jarrell. The southern portion of the District (198.487 acres) is located west of IH 35, west of CR 237 and north of CR 238, and is not located within the incorporated limits or ETJ of any municipality. See “– Maximum Impact on District Tax Rates” below.

Competition: The demand for and construction of single-family homes in the District could be affected by competition from other residential developments in Williamson County, many of which have a more mature development status. In addition to competition for new home sales from other developments, there are numerous previously-owned homes in more established neighborhoods that are for sale. Such homes could represent additional competition for new homes proposed to be sold within the District.

The competitive position of the Developer in the sale of developed lots and 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 additional building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

National Economy: Nationally, there have been periods of volatility in new housing construction due to the lack of liquidity and other factors, resulting in a decline in housing market values. The ability of individuals to qualify for a mortgage as well as the general reduction in mortgage availability has also, at times, decreased housing sales. The Austin area, including the District, has experienced reduced levels of home construction and home sales activity in the past. The District cannot predict what impact, if any, another downturn in the national housing and financial markets may have on the Texas market and the District.

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

Developer under No Obligation to the District: There is no commitment from, or obligation of, any Developer (or any subsequent developer) to proceed at any particular rate or according to any specified plan with the development of land or the construction of homes in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots and tracts and failure of landowners to develop their land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what effect the future financial condition of either, if any, such financial conditions may have on their ability to pay taxes. See "THE DEVELOPER" and "TAX DATA – Principal Taxpayers."

MAXIMUM 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 Taxable Assessed Valuation is \$17,687,545. After issuance of the Bonds, the estimated maximum debt service requirement will be \$365,313 (2053), and the estimated average annual debt service requirement will be \$333,350 (2025-2053, inclusive). Assuming no increase or decrease from the 2023 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$2.1293 and \$1.9430 per \$100 appraised valuation at a ninety-five percent (97%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

While the District anticipates future increases in taxable values, it makes no representations that the property within the District will maintain a value sufficient over the term of the Bonds to justify continued payment of taxes by property owners.

DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPER . . . The ten principal taxpayers represent \$15,375,718 or 86.93% of the District's 2023 Certified Taxable Assessed Valuation of \$17,687,545. If the Developer (which represents \$7,530,362 or 42.58% of such valuation) and other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

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

UNDEVELOPED ACREAGE . . . All but approximately 113.19 acres of the developable land within the District has been provided with water, wastewater and storm drainage and detention facilities as of May 29, 2024 (excluding acreage currently under active development). In the opinion of the District's engineers, the remaining authorized but unissued bonds are expected to be sufficient to fund water, sanitary sewer and drainage services to all areas now within the District. See "THE DISTRICT – History and Status of Development."

DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . . As of May 29, 2024, approximately 155 developed lots within the District were available for home construction. Failure of the Developer (or any subsequent developer) to develop lots 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 previously issued or issued in the future. Future increases in value will result primarily from the construction of homes by builders. See "--

Maximum Impact on District Tax Rates” above.

TAX COLLECTIONS LIMITATIONS AND FORECLOSURE REMEDIES . . . The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures; (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “FINANCIAL STATEMENT – Estimated Overlapping Debt” and “– Overlapping Taxes”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

REGISTERED OWNERS’ REMEDIES . . . Remedies available to registered owners of Bonds in the event of a default by the District in one or more of its obligations under the Bond Order are limited. Although state law and the Bond Order provide that the registered owners may obtain a writ of mandamus requiring performance of such obligations, such remedy must be exercised upon each default and may prove time-consuming, costly and difficult to enforce. State law and the Bond Order do not provide for acceleration of maturity of the Bonds. Additionally, the Bond Order does not appoint a trustee to protect the interests of the registered owners or provide for any other additional remedy in the event of a default by the District and, consequently, the remedy of mandamus may have to be relied upon from year-to-year. Since there is no trust indenture or trustee, the registered owners would have to initiate and finance the legal process to enforce their remedies. The Bonds are not secured by an interest in the improvements financed with Bond proceeds or any other property of the District. No judgment against the District is enforceable by execution of a levy against the District’s public purpose property. Further, the registered owners themselves cannot foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The rights of the registered owners and the enforceability of the Bonds may also be delayed, reduced or otherwise affected by proceedings under the Federal Bankruptcy Code or other laws affecting the enforcement of creditors’ rights generally or by a State statute reasonably required to attain an important public purpose. See “Bankruptcy Limitation to registered owners’ Remedies” below and “THE BONDS – Remedies in Event of Default.”

BANKRUPTCY LIMITATION TO REGISTERED OWNERS’ REMEDIES . . . 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 Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 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 as discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, entered an order granting relief from the stay or otherwise allowed 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 water, sewer, irrigation and drainage 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 owner’s 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.

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

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

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

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

In 1997, the EPA adopted an ozone standard with a standard for fine particulates, often referred to as the 8-hour standard because it is based on an 8-hour average and is intended to protect public health against longer exposure. In 2008, the EPA tightened the existing eight-hour ozone standard from 0.08 ppm to 0.075 ppm. The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area"), was not designated "nonattainment" for any NAAQS by the EPA in 2012; however, the Austin Area has been just below the 2008 eight-hour ozone standard.

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

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

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

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

Water Supply & Discharge Issues. Water supply and discharge regulations that 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 Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, potable (drinking) water provided by a Utility District to more than twenty-five (25) people or fifteen (15) service connections is subject to extensive federal and state regulation as a public water supply system, which includes, among other requirements, frequent sampling and analyses. Utility District's 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. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

Operation of the District's sewer facilities is subject to regulation under the Federal Clean Water Act and the Texas Water Code. All discharges of pollutants into the nation's navigable waters must comply with the Clean Water Act. The Clean Water Act allows municipal wastewater treatment plants to discharge treated effluent to the extent allowed under permits issued by the EPA pursuant to the National Pollutant Discharge Elimination System ("NPDES") program, a national program established by the Clean Water Act for issuing, revoking, monitoring and enforcing wastewater discharge permits. On September 14, 1998, EPA authorized Texas to implement the NPDES program, which is called the Texas Pollutant Discharge Elimination System ("TPDES") program.

TPDES permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. Any discharges to water bodies designated as impaired streams in accordance with the Clean Water Act may be precluded from obtaining a TPDES permit if pollutants for which the stream is designated as impaired are among those pollutants being released by a District. Moreover, the Clean Water Act and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations. In addition, under the Clean Water Act, states must identify any bodies of water for which more stringent effluent standards are needed to achieve water quality standards and must establish the maximum allowable daily load of certain pollutants into the water bodies.

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. 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 proposed 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 Clean Water Act or the Texas Water Code.

DROUGHT CONDITIONS . . . Central Texas, like other areas of the State, has experienced drought conditions from time to time. The District's retail water provider, the City of Jarrell, has adopted a drought contingency plan and has implemented water use restrictions applicable to residents and property owners in the District as needed. The District currently has a water supply sufficient to service the residents of the District; however, water use restrictions have been imposed from time to time and, based on future drought conditions, additional water use restrictions may be reimposed. Water usage and rates could be impacted as a result of these restrictions. The District's engineer has indicated that the City's water supply is expected to be sufficient for full build out of the District. See "THE SYSTEM – Water Supply and Distribution."

STORM WATER . . . Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Act. 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 recently proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may potentially be subject to stormwater discharge permitting requirements under each of these general permitting programs. Moreover, the District may 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 and in connection with the installation or performance of 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 Clean Water Act or the Texas Water Code.

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. 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 floodplain and will also increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain).

MARKETABILITY OF THE BONDS . . . The District has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the 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.

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 retroactive to the date of original issuance. See "TAX MATTERS."

FORWARD-LOOKING STATEMENTS . . . The statements contained in this Official Statement and in any other information provided by the District that are not purely historical are forward-looking statements, including statements regarding the District’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates, possible changes or developments in social, economic, business, industry, market, legal and regulatory circumstances and conditions, and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

OVERLAPPING AND COMBINED TAX RATES . . . The overlapping tax rate for the District reflects a composite overlapping tax rate, including the District’s debt service and maintenance taxes, of \$2.5966 per \$100 of assessed valuation. A maximum District debt service tax rate of \$2.1293 per \$100 of assessed valuation (97% collection rate) would be required if no further growth were to occur within the District. See “FINANCIAL STATEMENT – Overlapping Taxes.” However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct Unlimited Tax Bonds issued by the District, regulatory approvals, construction costs and interest rates. There can be no assurance that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

The current TCEQ rules regarding the feasibility of a bond issue for a utility district in Williamson County limit the projected combined total tax rate of entities levying a tax for water, wastewater and drainage to \$1.20. The projections for the District are consistent with the rules of the TCEQ. If the total combined tax rate of the District should ever exceed \$1.20, the District could be prohibited under rules of the TCEQ from selling additional bonds.

The District may issue additional debt which may change the projected and actual tax rates in the future, which changes may adversely affect future growth and which could affect the ability of the District to issue debt in the future.

EFFECTS OF MASTER PLANNED COMMUNITY/REGULATORY CONSTRAINTS . . . The Developer has represented that they intend to develop their property and sell developed lots or finished homes. See “THE DISTRICT” and “THE DEVELOPER.” However, the Developer has no legal obligation to the District to carry out their current plans or any other plans of development within the District. Furthermore, there is no restriction on the Developer or other landowners selling their land. The District can make no prediction as to the effects that inflation, interest rates, a depressed economy, falling energy prices, potential transportation problems, flooding, environmental or other government regulations, or other factors, whether economic, governmental or otherwise, may have on the plans of the Developer. See “– Factors Affecting Taxable Values and Tax Payments” above.

Neither the Developer nor their subsidiaries or affiliates, if any, are obligated to pay principal of and interest on the Bonds. See “THE DEVELOPER.” Furthermore, the Developer has no binding commitment to the District to carry out any plan 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.

DEMAND FOR AND FLUCTUATION OF ASSESSED VALUATION OF HOUSING PRODUCTS . . . As reflected in “THE DISTRICT – Homebuilders” herein, the housing product completed and currently planned for portions of the District consists of single-family homes with anticipated prices ranging from \$241,990 to \$349,990.

FUTURE DEBT . . . *District Debt:* As of May 29, 2024, all but 113.19 acres of the developable 237.838 acres of land within the District have been developed with utility facilities by the Developer (excluding acreage currently under active development). Additional bond issuances are anticipated in the future in connection with development currently underway and planned prior to full build out.

Following the issuance of the Bonds, the District has reserved in the Bond Order the right to issue the remaining \$101,270,000 of authorized but unissued Unlimited Tax Bonds authorized for water, wastewater and drainage purposes and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining Unlimited Tax Bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. In the opinion of the District’s engineer, the remaining authorization is expected to be sufficient to complete the development in the District. See “THE BONDS – Issuance of Additional Debt” and “THE SYSTEM.” In addition, voters in the District could authorize additional Unlimited Tax Bonds in the future.

The District anticipates that it may issue the full principal amount of unissued bonds authorized for water, wastewater and drainage purposes in approximate annual installments over the next several years, subject to timely TCEQ approval. 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). 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 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.”

GOVERNMENTAL APPROVAL . . . As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased 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 issued on May 8, 2024. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

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

NO REQUIREMENT TO BUILD ON DEVELOPED LOTS . . . There is currently no requirement that individuals or other purchasers of 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.

HOUSING MARKET VOLATILITY AND RECENT FORECLOSURES . . . Since the downturn in the housing market in 2008, many areas were negatively affected by a weakening national economy that led to foreclosures on single family homes, particularly related to subprime mortgages. Since this time, there has been significant volatility in the national housing market, both positive and negative. As of November 1, 2022, there were 0 properties in the District posted for sale due to foreclosure according to the Williamson County Clerk. No assurance can be given that foreclosures will not increase or that housing market conditions will remain stable.

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

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

There has been little judicial determination of the validity of the provisions of FIRREA or how they are to be construed and reconciled with respect to conflicting state laws. However, certain recent federal court decisions have held that the FDIC is not liable for statutory penalties and interest authorized by State property tax law, and that although a lien for taxes may exist against real property, such lien may not be foreclosed without the consent of the FDIC, and no liens for penalties, fines, interest, attorney’s fees, costs of abstract and research fees exist against the real property for the failure of the FDIC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC will attempt to claim the FIRREA exemptions as to the time for contesting valuations and tax assessments made prior to and after the enactment of FIRREA. Accordingly, to the extent that the FIRREA provisions are valid and applicable to any property in the District, and to the extent that the FDIC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC in the District, and may prevent the collection of penalties and interest on such taxes.

FUTURE AND PROPOSED LEGISLATION . . . Tax legislation, administrative actions taken by tax authorities, and 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.

THE BONDS

GENERAL DESCRIPTION . . . The Bonds will bear interest from the Date of Initial Delivery and will mature on August 15 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 accrue from the Date of Initial Delivery, will be paid on February 15, 2025 and each August 15 and February 15 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 for the Bonds is BOKF, NA, Dallas, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

REDEMPTION . . . The Bonds maturing on and after August 15, 2031 are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 15, 2030, or on any date thereafter, in integral multiples of \$5,000, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date fixed for redemption.

MANDATORY SINKING FUND REDEMPTION . . . The Bonds maturing on August 15 in the years 2034, 2045 and 2053 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption:

Term Bonds Due August 15, 2034		Term Bonds Due August 15, 2045	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
August 15, 2032	\$ 115,000	August 15, 2035	\$ 135,000
August 15, 2033	120,000	August 15, 2036	140,000
August 15, 2034*	125,000	August 15, 2037	150,000
		August 15, 2038	155,000
		August 15, 2039	165,000
		August 15, 2040	175,000
		August 15, 2041	185,000
		August 15, 2042	195,000
		August 15, 2043	205,000
		August 15, 2044	215,000
		August 15, 2045*	230,000
Term Bonds Due August 15, 2053			
Redemption Date	Principal Amount		
August 15, 2046	\$ 240,000		
August 15, 2047	255,000		
August 15, 2048	270,000		
August 15, 2049	285,000		
August 15, 2050	300,000		
August 15, 2051	315,000		
August 15, 2052	335,000		
August 15, 2053*	350,000		

*Stated Maturity.

The principal amount of the Term 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 Term 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 Term 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 Term 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 Optional 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.

Conditional Notice . . . 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 will have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of optional redemption is given and such prerequisites to the optional 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 optional redemption, the particular maturities, or sinking fund installments in the case of Term 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 Term Bonds shall be selected by lot or other customary random method or as otherwise required 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 redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC Participant, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC.

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

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

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by 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 shall be 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 (15th) (whether or not a business day) calendar day of the month 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 8, 2022, voters within the District authorized the issuance of a total of \$106,500,000 in unlimited ad valorem tax bonds for water, wastewater and drainage facilities. The Bonds constitute the first installment of bonds issued by the District. After the sale of the Bonds, \$101,270,000 principal amount of District unlimited ad valorem tax bonds will remain authorized but unissued for water, wastewater and drainage facilities. The District’s voters, at the election held within the District on November 8, 2022, also authorized the issuance of \$13,100,000 in unlimited ad valorem tax bonds for park and recreational facilities and \$179,400,000 in unlimited ad valorem tax refunding bonds, all of which remain authorized but unissued. The Bonds are issued pursuant to the terms and provisions of the Bond Order, the Act, 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 dated May 8, 2024.

SOURCE OF AND SECURITY FOR PAYMENT . . . The Bonds will be payable from and secured by a pledge of the proceeds of an 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 and the District’s other outstanding bonds. The Bond Order provides for the termination of the pledge of taxes when and if the City of Jarrell (“Jarrell”) annexes and 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 Jarrell; Jarrell Independent School District, Williamson County, Texas; the State of Texas; or any political subdivision or entity other than the District.

FLOW OF FUNDS . . . The Bond Order creates or confirms the creation by the District of a Debt Service Fund and a Capital Projects Fund. Each fund shall be kept separate and apart 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 Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

Debt Service Fund . . . The Bond Order establishes the Debt Service Fund to be used to pay principal and interest on and Paying Agent fees 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 accrued interest, if any, and capitalized interest on the Bonds, if any, (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 and the other outstanding bonds, when due, and to pay fees to 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 it is 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 BOKF, NA having an office for payment in Dallas, Texas, the Paying Agent. The 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.

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

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

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (ii) non-callable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise 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, (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 or verification agent 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 any interest payable on any interest payment date means the close of business on the last day of the preceding month (whether or not a business day).

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, in certain instances with the approval of the TCEQ and, in the case of bonds payable from ad valorem taxes, the District's voters. On November 8, 2022, voters within the District authorized the issuance of unlimited ad valorem tax bonds in the principal amount of \$106,500,000 for the purpose of providing water, wastewater, and drainage facilities to meet the needs of the residents and customers of the District. Following the issuance of the Bonds, \$101,270,000 in unlimited ad valorem tax bonds authorized by the District voters will remain authorized but unissued for water, wastewater and drainage facilities. See "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized But Unissued." The District's voters, at the election held within the District on November 8, 2022, also authorized the issuance of \$13,100,000 in unlimited ad valorem tax bonds for park and recreational facilities and \$135,000,000 in unlimited ad valorem tax refunding bonds, all of which remain authorized but unissued. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security of the Bonds. See "RISK FACTORS."

According to the District's Engineer, the remaining \$101,270,000 in aggregate principal amount of bonds authorized but unissued (following the issuance of the Bonds) is expected to be sufficient to reimburse the Developer for the water, wastewater and drainage facilities required for development within the District. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes. The District also has the right to issue refunding bonds, as well as to issue revenue bonds and notes, without voter approval. 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.

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

REMEDIES IN EVENT OF DEFAULT . . . The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code 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 rules in *Wasson Interest, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to 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 Interests, 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 not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based 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 utility systems with the utility system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its utility system with that of any other district.

ANNEXATION . . . The District lies within the extraterritorial jurisdiction of Jarrell. Under Texas law, a municipality generally cannot annex territory within a district unless it annexes the entire district. Under prior Texas law, a municipality could annex and dissolve a municipal utility district located within its extraterritorial jurisdiction without the consent of the district or its residents; however, under Chapter 43, Texas Local Government Code, as amended, (a) a municipality may not annex a district with a population of less than 200 residents unless: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality

may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. As of November 20, 2023, the District had an estimated population of 1,250, thus triggering the voter approval and/or landowner consent requirements above. At such time as it is legally permissible, and Jarrell does annex the entire District, Jarrell will assume the District's assets and obligations (including the debt service on the Bonds and any outstanding bonds) and dissolve the District. Annexation of territory by Jarrell is a policy-making matter within the discretion of the Mayor and City Council of Jarrell and therefore, the District makes no representation that Jarrell will ever annex the District and assume its debt.

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 simultaneously annexing land of at least equal value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

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

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

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BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, 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 Participant, (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 Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, 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 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 take any responsibility for the accuracy thereof.

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to (i) purchase the Rancho del Cielo offsite water line for Phase 1, (ii) purchase the Rancho del Cielo offsite force main for Phase 1, (iii) pay for engineering and permitting, and (iv) pay costs of issuance of the Bonds. The construction costs below are actual costs incurred by the Developer in the construction of the Improvements, and related expenses. Non-construction costs are based upon either contract amounts or estimates of various costs by the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District’s auditor.

I. CONSTRUCTION COSTS

	<u>Amount</u>
A. Developer Contribution Items - None	
B. District Items	
1. Rancho del Cielo MUD Phase 1 – Offsite Water Line	\$ 2,325,889
2. Rancho del Cielo MUD Phase 1 – Offsite Force Main	1,046,962
3. Engineering and Permitting	<u>319,000</u>
Subtotal.....	\$ 3,691,851
Total Construction Costs (70.59% of BIR).....	\$ 3,691,851

II. NON-CONSTRUCTION COSTS

A. Legal Fees (3.0%)	\$ 156,900
B. Financial Advisor Fees (2.25%).....	117,675
C. Interest Costs:	
1. Capitalized Interest (24 months at 4.65%)	486,684
2. Developer Interest	415,202
D. Bond Discount (3.00%).....	156,813
E. Bond Issuance Expenses	47,293
F. Bond Application Report Costs.....	50,575
G. Attorney General Fee	5,230
H. TCEQ Bond Issuance Fee (0.25%)	13,075
I. Contingency ^(a)	<u>88,702</u>
Total Non-Construction Costs	\$ 1,538,149

TOTAL BOND ISSUE REQUIREMENT (“BIR”) **\$ 5,230,000**

(a) The TCEQ, in its approval of the issuance 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 proceeds.

THE DISTRICT

GENERAL . . . The District was created by an order of the Texas Commission on Environmental Quality (the “TCEQ”) on April 27, 2021 and is a political subdivision of the State of Texas, and confirmed pursuant to an election held within the District on November 8, 2022. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. At the time of creation, the District contained 198,487 acres of land. By an order dated August 9, 2021, the District annexed 39,351 acres. The District consists of approximately 237,838 acres of land.

The District is comprised of two non-contiguous tracts located in Williamson County approximately 10.5 miles north of the City of Georgetown. The northern portion (39,351 acres) is located west of IH 35 and at the intersection of CR 305 and CR 307 and is located within the extraterritorial jurisdiction (ETJ) of the City of Jarrell. The southern portion of the District (198,487 acres) is located west of IH 35, west of CR 237 and north of CR 238, and is not located within the incorporated limits or ETJ of any municipality. See “AERIAL BOUNDARY MAP.”

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the City, the TCEQ and the voters of the District.

The TCEQ exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which, among other things, limit the purposes for which the District may sell bonds to the acquisition, construction, and improvement of waterworks, wastewater, and drainage facilities; the payment of organization and operation expenses and interest during construction; the provision of parks and recreational facilities; and the provision of other facilities and improvements benefiting the land within the District; limit the interest rate on such bonds to rates that do not exceed 2% above the weekly tax exempt Bond Buyer Index for 25 year bonds; limit the term of the bonds to 25 years and provide other terms for such bonds; require TCEQ approval of construction plans; and permit connections only to lots described in plats which have been approved by Williamson County and recorded in the real property records. Construction and operation of the District’s system is also subject to the regulatory jurisdiction of additional governmental agencies. See “THE SYSTEM – Regulation.”

HOMEBUILDER . . . The Developer, Lennar Homes, is the only active homebuilder within the District. Homes range in price from \$241,990 to \$349,990, with square footage ranging from approximately 1,266 to 1,952.

In addition to single-family and multi-family development, the District includes a community center with a swimming pool and several small parks.

LITIGATION . . . The District is not a party to any lawsuits as of the date of this Official Statement.

HISTORY AND STATUS OF DEVELOPMENT . . . Development of land within the District began in 2022. The District is presently being developed for single-family residential and multi-family residential. The Developer has financed the design and construction of the central water, sanitary sewer and drainage facilities to serve approximately 1,143 living unit equivalents (“LUEs”) in the District (out of a total of 1,785 LUEs expected to be developed within the District) and construction of underground utilities and street paving is complete in these portions of the District. Construction of homes in the District began in 2022, and, as of May 29, 2024, there were approximately 357 completed and occupied single-family homes in the District, 21 homes completed and not occupied, 70 single-family homes under construction, and 155 vacant lots available for construction.

The District contains approximately 113.19 acres of developable land that have not been provided with water, sanitary sewer and drainage facilities as of May 29, 2024 (such amount includes acreage currently under active development). In the opinion of the District’s engineers, the remaining authorized but unissued bonds are expected to be sufficient to fund water, sanitary sewer and drainage improvements to serve all areas now within the District. Undevelopable acreage in the District is included in the plats.

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The chart below reflects the status of development as of May 29, 2024:

	Net Acreage	Platted Lots	Equivalent Connections		
			Completed	Under Construction	Vacant/ Projected
A. Single Family Developed with Utility Facilities:					
Rancho del Cielo Phase 1	57.960	221	205	-	16
Rancho del Cielo Phase 2	27.333	161	63	47	51
Cielo Gardens	39.351	221	110	23	88
Total Single Family Developed with Utilities:	124.644	603	378	70	155
B. Utility Facilities Under Construction:					
Rancho del Cielo Phase 3	20.209	186			186
Rancho del Cielo Phase 2B, Section 1	28.185	98			98
Rancho del Cielo Phase 2B, Section 2	21.771	46			46
Total Utility Facilities Under Construction:	70.165	330			330
C. Utility Facilities Under Design:					
Rancho del Cielo Phase 4	30.800	210			210
Total Utility Facilities Under Design:	30.800	210			210
D. Remaining Acreage:	12.229				
Total District Acreage	237.838				

STATUS OF DEVELOPMENT . . . As of May 29, 2024, water, wastewater, and drainage improvements have been completed to sections expected to serve approximately 1,785 of an ultimate 1,163 equivalent single-family connections. The District area also contains a completed HOA community center (including a swimming pool), and several small parks internal to each subdivision. Development status as of May 29, 2024 is further outlined below:

Total Completed Homes (occupied)	357
Homes Completed (unoccupied)	21
Homes Under Construction	70
Developed Lots Available for Construction	155
Undeveloped but Developable Acreage	113.19

FUTURE DEVELOPMENT . . . The District is being developed primarily as a single-family residential community. While the Developer anticipates future development of the remaining undeveloped acreage in the District as business conditions permit, there can be no assurances if and when such development will occur or when any previously developed lots will be used for home construction.

Currently anticipated development within the District could exceed the City’s wastewater treatment capacity. If the City’s wastewater treatment capacity is unable to accommodate currently anticipated development within the District, future development within the District could be delayed.

The District anticipates issuing additional bonds to reimburse the Developer for costs associated with the development and construction of District facilities to accomplish full build-out of the District. The District Engineer has stated that, under current development plans, the remaining unissued new money bonds authorized for water, wastewater and drainage facilities (\$101,270,000) will be sufficient to finance the construction of water, wastewater and storm drainage facilities for full development of the District. See “RISK FACTORS – Factors Affecting Taxable Values and Tax Payments,” “THE BONDS – Issuance of Additional Debt” and “THE SYSTEM.”

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THE DEVELOPER

GENERAL . . . Pursuant to the assignment of a reimbursement agreement with the District, Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership (the “Developer” or “Lennar Homes”) is responsible for lot development and homebuilding within the District. See “TAX DATA – Principal Taxpayers.”

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

ACQUISITION AND DEVELOPMENT FINANCING . . . According to the Developer, development financing will come from corporate advances by the Developer for lot development and home construction within the District.

LITIGATION . . . See “THE DISTRICT – Litigation.” The District is not involved in any litigation at the present time.

MANAGEMENT OF THE DISTRICT

BOARD OF DIRECTORS . . . The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. Directors are elected to four-year terms and elections are held on the first Saturday of May in even numbered years only. All of the Board members either reside within the District or own a small parcel of land within the District. The current members and officers of the Board, along with their titles and terms, are listed as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Meredith Kizewski	President	May 2026
Bradley Hill	Vice President	May 2026
Nathan Kelly	Secretary	May 2028
Jordan Carrasco	Assistant Secretary	May 2028
Zachary Riola	Assistant Secretary	May 2026

DISTRICT CONSULTANTS . . . The District does not have any full-time employees, but contracts for certain necessary services as described below.

Tax Appraisal: The Williamson Central Appraisal District has the responsibility of appraising all property within the District. See “TAXING PROCEDURES.”

Tax Assessor/Collector: The District has contracted with the Williamson County Tax Assessor/Collector (the “Tax Assessor/Collector”) to serve in this capacity.

Engineers: The District’s engineer is Jones-Heroy & Associates, Inc.

Bookkeeper: The District has contracted with Bott & Douthitt, PLLC to serve as bookkeeper to the District.

Auditor: The District’s financial statements for the year ended September 30, 2023 were audited by McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountants.

Financial Advisor: Specialized Public Finance Inc. serves as the District’s Financial Advisor. The Financial Advisor’s fee for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

General Counsel: The District has engaged Armbrust & Brown, PLLC as general counsel to the District. Compensation to the firm for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Compensation for general legal services to the District is based on time charges actually incurred.

Bond Counsel/Disclosure Counsel: McCall, Parkhurst & Horton L.L.P. has been engaged as Bond Counsel and Disclosure Counsel in connection with the issuance of the Bonds. The firm’s fees for services in these capacities are contingent upon the sale and delivery of the Bonds.

THE SYSTEM

WATER SUPPLY AND DISTRIBUTION . . . Pursuant to the “Utility and Consent Agreement Rancho del Cielo” between the City of Jarrell, Texas, Bonzo LP, Cielo Gardens LP, Sonwest Co., and the District (the “Agreement”) dated October 27, 2020, the City of Jarrell, Texas (the “City”) is the retail provider of water service in the District and will provide continuous and adequate water service in quantities sufficient to meet the needs of the original District acreage (197.487) and the addition of Cielo Gardens (39.35), as set forth in the Agreement. The City has reserved capacity in the City water system for a total of 1,785 LUEs. After the expiration of ten years from the initial connection date, the reservation of any LUEs for which a water access fee has not been paid shall terminate. The City will charge District residents water rates as set forth in their rate ordinance.

Water Supply for the District is primarily three ground water supply wells (0.95 MGD) and treated surface water (1.5 MGD) purchased by the City from the Lone Star Regional Water Authority (“LSRWA”). The City’s allocation of capacity to serve 1,785 LUEs in the District is equivalent to a peak day capacity of 1.54 MGD based on TCEQ design criteria of 0.6 gpm per ESFC.

Per the Agreement, in consideration of the Developer’s designing, financing and construction of the on-site facilities and water transmission line, during the first ten years after the initial connection date, the water access fee is set at \$2,000 per LUE and the total tap and connection fees is set at \$650 per LUE. Following the expiration of ten years, the water access fee and the water tap and connection fees will be set by ordinance adopted by the City. The Developer will receive a credit against future water access fees and water tap and connection fees payable until the Developer has received credit in an amount equal to the cost of designing, permitting, and constructing the water transmission line. The Developer or District will convey the water lines to the City, as applicable.

The District’s engineer has indicated that the City’s existing water production capacity is sufficient to serve up to 1,785 ESFCs, which is sufficient to serve the project at full build out.

WASTEWATER TREATMENT FACILITIES . . . Pursuant to the “Utility and Consent Agreement Rancho del Cielo” between the City of Jarrell, Texas, Bonzo LP, Cielo Gardens LP, Sonwest Co., and the District (the “Agreement”), dated October 27, 2020, as amended, the City of Jarrell, Texas (the “City”) is the retail provider of wastewater service in the District and will provide continuous and adequate wastewater service in quantities sufficient to meet the needs of the original District acreage (197.487) and the addition of Cielo Gardens (39.35 acres) for a total of 1,785 LUEs. After the expiration of ten years from the initial connection date, the reservation of any LUEs for which a wastewater access fee has not been paid shall terminate. The City will charge District residents wastewater rates as set forth in their rate ordinance.

The City owns and operates the Donahoe Creek Wastewater Treatment Plant (“WWTP”) which has an ultimate permitted capacity of 4.0 MGD. The WWTP is being expanded in phases to meet the growing needs of the City and its wholesale wastewater treatment commitments. The City’s 2,000,000 gpd expansion of the WWTP was completed in December 2022 and the expansion to 4.0 MGD is being planned. The City has allocated wastewater capacity to serve 1,785 LUEs of wastewater service, based on a connection that produces an average daily flow equal to 300 gallons.

Per the Agreement, in consideration of the Developer’s designing, financing and construction of the on-site facilities and the wastewater force main, during the first ten years after the initial connection date, the wastewater access fee is set at \$2,000 per LUE and the total wastewater tap and connection fees is set at \$650 per LUE. Following the expiration of ten years, the wastewater access fees, the wastewater tap and connection fees will be set by ordinance adopted by the City. The Developer will receive a credit against future wastewater access fees and wastewater tap and connection fees payable until the Developer has received credit in an amount equal to the cost of designing, permitting and constructing the wastewater force main. The Developer or District will convey the wastewater lines to the City, as applicable.

The District’s wastewater capacity will be capable of serving 1,785 ESFCs, which is sufficient to serve the project at full build out.

Additionally, for a discussion of certain wastewater capacity issues which could have a material adverse effect on growth within the District, see “RISK FACTORS – Wastewater Treatment Issues” and “THE DISTRICT – Future Development.”

STORM DRAINAGE FACILITIES . . . Storm water runoff from the Rancho del Cielo portion of the District eventually flows into Dry Berry Creek. Cielo Gardens portion will eventually flow into Salado Creek.

Storm water runoff within Rancho del Cielo is collected through curb and gutter streets into inlets which convey the flows via an underground culverts, which will outfall into detention ponds located throughout the District. Storm water from the detention ponds will generally outfall into drainage channels and eventually enter Glasscock Branch which leads westward from the District until merging into Dry Berry Creek. Cielo Gardens will also have curb and gutter streets with drainage systems carrying flows to two detention ponds within the District. The ponds will discharge into existing drainage structures and or existing channels and eventually enter Salado Creek.

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. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, approximately 16 acres of undevelopable land within the District are located within the current 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map. However, the National Weather service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Based on this study, various governmental agencies, including Williamson County, are contemplating potentially increasing the size of the 100-year floodplain. No assurances can be given whether such action may be taken or what impact, if any, it will have on development within the District. All of the land in the District to be developed is outside the current 100-year flood plain. See "RISK FACTORS – Storm Water."

FINANCIAL STATEMENT

Year Ending 9/30	The Bonds ^(a)		
	Principal	Interest	Total
2025	\$ -	\$ 246,375	\$ 246,375
2026	85,000	246,375	331,375
2027	85,000	240,531	325,531
2028	90,000	234,688	324,688
2029	95,000	228,500	323,500
2030	105,000	221,969	326,969
2031	110,000	214,750	324,750
2032	115,000	208,563	323,563
2033	120,000	202,813	322,813
2034	125,000	196,813	321,813
2035	135,000	190,563	325,563
2036	140,000	184,488	324,488
2037	150,000	178,188	328,188
2038	155,000	171,438	326,438
2039	165,000	164,463	329,463
2040	175,000	157,038	332,038
2041	185,000	149,163	334,163
2042	195,000	140,838	335,838
2043	205,000	132,063	337,063
2044	215,000	122,838	337,838
2045	230,000	113,163	343,163
2046	240,000	102,813	342,813
2047	255,000	92,313	347,313
2048	270,000	81,156	351,156
2049	285,000	69,344	354,344
2050	300,000	56,875	356,875
2051	315,000	43,750	358,750
2052	335,000	29,969	364,969
2053	350,000	15,313	365,313
	\$ 5,230,000	\$ 4,437,144	\$ 9,667,144

(a) Interest on the Bonds calculated at the rates shown on the inside cover page hereof.

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UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Purpose</u>	<u>Date Authorized</u>	<u>Amount Authorized</u>	<u>Amount Previously Issued</u>	<u>Amount Being Issued</u>	<u>Unissued Balance</u>
Water, Wastewater, & Drainage	11/8/2022	\$ 106,500,000	\$ -	\$ 5,230,000	\$ 101,270,000
Refunding Bonds	11/8/2022	179,400,000	-	-	179,400,000
Park and Recreational Bonds	11/8/2022	13,100,000	-	-	13,100,000
Total		\$ 299,000,000	\$ -	\$ 5,230,000	\$ 293,770,000

ESTIMATED OVERLAPPING DEBT . . . The following table indicates the outstanding debt payable from ad valorem taxes of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes. The District has no control over the issuance of debt or tax levies of any such entities.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds</u>	<u>As of</u>	<u>Percent</u>	<u>Overlapping Amount</u>
Williamson County	\$ 1,311,170,000	04/30/2024	0.02%	\$ 262,234
Williamson County ESD #5.....	0	04/30/2024	0.74%	0
Jarrell Independent School District.....	289,299,988	04/30/2024	0.51%	1,475,430
Total Estimated Overlapping Debt				\$ 1,737,664
The District’s Total Direct Debt^(a)				5,230,000
Total Direct and Estimated Overlapping Debt.....				\$ 6,967,664

Direct and Estimated Overlapping Debt as a Percentage of:
 2023 Certified Taxable Assessed Valuation 39.39%

(a) Includes the Bonds. Does not include payments to be made pursuant to the Lone Star Contract. Such contract payments are treated as an operation and maintenance expense of the District. See “THE BONDS – Source of Payment” and “THE SYSTEM – Water Supply and Distribution.”

OVERLAPPING TAXES . . . Property within the District is subject to taxation by several taxing authorities in addition to the District. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest imposed on such property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District’s tax lien is on a parity with tax liens of the taxing authorities shown below. In addition to ad valorem taxes required to pay debt service on bonded debt of the District and other taxing authorities (see “FINANCIAL STATEMENT – Estimated Overlapping Debt”), certain taxing jurisdictions, including the District, are also authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below are all of the taxes levied for the 2023 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges or any other levy of entities other than political subdivisions.

	<u>2023 Tax Rate Per \$100 Assessed Valuation</u>
Williamson County ^(a)	\$ 0.3774
Jarrell Independent School District.....	1.1692
Williamson County ESD #5.....	<u>0.1000</u>
Total Overlapping Tax Rate.....	\$ 1.6466
The District.....	<u>0.9500</u>
Total Tax Rate	\$ 2.5966

(a) Includes Williamson County’s road and bridge fund tax.

TAX DATA

GENERAL . . . All taxable property within the District is subject to the assessment, levy and collection by the District of a continuing, direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds.

DEBT SERVICE TAX . . . The Board covenants 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 adequate, without limit as to rate or amount, to provide funds to pay the principal of and interest on the Bonds.

MAINTENANCE TAX . . . The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District’s voters. A maintenance tax election was conducted and voters of the District authorized, among other things, the Board to levy a maintenance tax. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on any ad valorem tax-secured indebtedness, including the Bonds. See “– Debt Service Tax” above.

TAX EXEMPTIONS . . . The District has not adopted any local option tax exemptions for property located within the District.

ADDITIONAL PENALTIES . . . The District has contracted with Williamson County to collect certain delinquent taxes. Under that contract, the Williamson County Tax Assessor-Collector is authorized to contract with private legal counsel to collect delinquent taxes and the fees of such legal counsel will be paid out of delinquent taxes, penalty and interest collected for the District by such legal counsel.

HISTORICAL TAX COLLECTIONS . . . The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein based upon information obtained from the District’s tax assessor/collector. Reference is made to such statements and records for further and complete information. See “Tax Roll Information” below.

Tax Year	Net Certified Taxable		Total ^(b) Tax Levy	Total Collections		As of
	Assessed Valuation ^(a)	Tax Rate		Amount	Percent	
2023	\$17,687,545	\$ 0.9500	\$ 180,581	\$ 180,581	100.00%	09/30/23
2024	59,893,499 ^(c)	N/A	N/A	N/A	N/A	N/A

- (a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See “Tax Roll Information” below for gross appraised value and exemptions granted by the District.
- (b) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.
- (c) The preliminary assessed valuation as of May 12, 2024, as provided by WCAD.

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TAX ROLL INFORMATION . . . The District’s appraised value as of January 1 of each year is used by the District in establishing its tax rate (see “TAXING PROCEDURES – Valuation of Property for Taxation”). The following represents the composition of property comprising the 2022 and 2023 Certified Taxable Appraised Valuations.

	<u>2022 Certified</u>	<u>2023 Certified</u>
	<u>TAV</u>	<u>TAV</u>
Land and Improvements	\$ 120,813	\$ 22,194,437
Personal Property	<u>0</u>	<u>0</u>
Total Assessed Valuation	\$ 120,813	\$ 22,194,437
Exemptions	<u>36,972</u>	<u>4,506,892</u>
Total Taxable Appraised Valuation	\$ 83,841	\$ 17,687,545

PRINCIPAL TAXPAYERS . . . The following table represents the District’s principal taxpayers, the taxable assessed value of each principal taxpayers’ property in the District, and such property’s assessed value as a percentage of the District’s 2023 Certified Taxable Assessed Valuation.

Taxpayer ^(a)	Taxable Assessed Value	% of 2023 Certified Taxable Assessed Valuation
Lennar Homes of Texas Land & Construction Ltd. ^(b)	\$ 7,166,372	40.52%
DRP TX 3 LLC	3,561,190	20.13%
KL LHB3 AIV LLC	3,204,298	18.12%
Lennar Homes of Texas Land & Construction Ltd. ^(b)	363,990	2.06%
Homeowner	196,044	1.11%
Homeowner	192,079	1.09%
Homeowner	182,739	1.03%
Homeowner	170,690	0.97%
Homeowner	169,158	0.96%
Homeowner	<u>169,158</u>	<u>0.96%</u>
	<u>\$ 15,375,718</u>	<u>86.93%</u>

- (a) Of the Estimated Taxable Assessed Valuation as of May 12, 2024, the top ten taxpayers represent \$15,375,718 or 25.67% of such valuation. Taxes are levied based on value as certified by WCAD as of January 1 of each year. Consequently, this estimate will not be used to procure tax revenues for the District.
- (b) The Developer or its affiliate.

TAX ADEQUACY FOR DEBT SERVICE . . . The tax rate calculations set forth below indicate the tax rates per \$100 appraised valuation that would be required to meet average annual and maximum debt service requirements if no growth in the District’s tax base occurred beyond the 2023 Certified Taxable Assessed Valuation of \$17,687,545. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and outstanding debt of the District payable from taxes when due, assuming no further increase nor any decrease in taxable values in the District, collection of ninety five percent (97%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See “FINANCIAL STATEMENT.”

Average Annual Debt Service Requirement (2025-2053).....	\$333,350 ^(a)
\$1.9430 Tax Rate on 2023 Certified Taxable Assessed Valuation at 97% collection	\$333,359 ^(a)
Maximum Annual Debt Service Requirement (2053).....	\$365,313 ^(a)
\$2.1293 Tax Rate on 2023 Certified Taxable Assessed Valuation at 97% collection	\$365,322 ^(a)

- (a) Does not include payments to be made pursuant to the Lone Star Contract or capital leases. Such contract payments are treated as an operation and maintenance expense of the District. See “THE BONDS – Source of Payment” and “THE SYSTEM – Water Supply and Distribution.”

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

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" 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 . . . As of June 10, 2024, \$78,194 of general funds and \$48,234 of debt service funds were held by First Citizens Bank and TexPool.

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TAXING PROCEDURES

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

PROPERTY TAX CODE AND COUNTY WIDE APPRAISAL DISTRICT . . . Title I of the Texas Property Code (the “Property Tax Code”) specifies the taxing procedures for 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 the county and an appraisal review board with the 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 Central 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 and tangible personal property in the District is subject to taxation by the District; however, it is expected that no effort will be made by the District to collect taxes on personal property other than on personal property rendered for taxation, business inventories, and the property of privately owned utilities. Principal categories of exempt property include, property owned by the State of Texas or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; all oil, gas, and mineral interests owned by an institution of higher education; certain property owned by exclusively charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind-powered energy devices; and most individually owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons sixty-five (65) years or older or under a disability for purposes of payment of disability insurance benefits under the Federal Old-Age Survivors and Disability Insurance Act to the extent deemed advisable by the Board. The District would be required to call an election on such residential homestead exemption upon petition of at least twenty percent (20%) of the number of qualified voters who voted in the District’s preceding election and would be required to offer such an exemption if a majority of voters approve it at such election. The District is authorized to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, of between \$5,000 and \$12,000 of taxable valuation depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption for the full amount of the veteran’s residential 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 of the total appraised value of the same property to which the disabled veteran’s exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran’s disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed or fatally injured in the line of duty is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse’s residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See “TAX DATA.”

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. In addition, effective for tax years 2008 and thereafter, Article VIII, Section 1-n of the Texas Constitution provides for an exemption from taxation for “goods-in-transit,” which are defined as certain personal property acquired or imported into the State. The exemption excludes oil, natural gas, petroleum products, aircraft, and special inventory, including motor vehicles, vessel and outboard motors, heavy equipment, and manufactured housing inventory. After holding a public hearing, a taxing unit may take action by January 1 of the year preceding a tax year to tax goods-in-transit during the following tax year. A taxpayer may obtain only a freeport exemption or a goods-in-transit exemption for items of personal property. The District has acted to tax goods-in-transit.

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

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

The Property Tax Code requires 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.

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

DISTRICT AND TAXPAYER REMEDIES . . . Under certain circumstances taxpayers and taxing units (such as the District), may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of

the property in question will be determined by the court or by a jury, if requested by any party. Additionally, taxing units may bring suit against 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 March 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a 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 INSTALLMENT . . . 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 operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have finance, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its operation and maintenance tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax 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 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 rate 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 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 the 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 adoption of a total tax rate that would impose more than 1.08 times the amount of 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, at the time a district sets its tax rate. The Board of Directors of the District designated the District as a Developing District for the 2023 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new 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 2023." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

EFFECT OF FIRREA ON TAX COLLECTIONS . . . The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") 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 Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution. See "INVESTMENT CONSIDERATIONS – The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District."

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LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. (“Bond Counsel”), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by 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 opinion 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.

LITIGATION . . . The District is not a party to any lawsuits as of the date of this Official Statement.

NO-LITIGATION CERTIFICATE . . . The District will furnish to the 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 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, McCall, Parkhurst & Horton L.L.P., Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) for Federal income tax purposes interest on the Bonds (1) will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, 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’s Opinion.”

In rendering its opinion, Bond Counsel will rely upon (a) the District’s federal tax certificate, and (b) covenants of the District with respect to arbitrage, the application of the proceeds received from the sale and issuance of the Bonds and certain other matters. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of 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 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 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 an opinion and is not a guarantee of 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 may be less than the principal amount thereof or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bonds, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments 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 (as defined in Section 61 of the Code) an amount of income with respect to such original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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PREPARATION OF OFFICIAL STATEMENT

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

FINANCIAL ADVISOR . . . Specialized Public Finance Inc. is employed as the Financial Advisor to the District to render certain professional services, including advising the District on a plan of financing and preparing the Official Statement. In its capacity as Financial Advisor, Specialized Public Finance Inc. has compiled and edited this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to the issuer and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

Tax Assessor/Collector: The information contained in this Official Statement relating to the breakdown of the District's historical assessed value and principal taxpayers, including particularly such information contained in the section entitled "TAX DATA" has been provided by the Williamson County Tax Assessor/Collector's office and is included herein in reliance upon the authority of such office as an expert in assessing property values and collecting taxes.

Engineer: The information contained in this Official Statement relating to engineering 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 Jones-Heroy & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

Developer: The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPER" (except for the subsection captioned "General"), has been provided by the Developer and has been included herein in reliance upon the authority and knowledge of such party concerning the matters described therein.

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board in its official capacity 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 Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (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 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 Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Bonds as described in the notice of sale accompanying this Official Statement. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Purchaser provides written notice 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 Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually through EMMA. 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 in the table titled “FINANCIAL STATEMENT,” under the heading “TAX DATA” (except for information related to tax adequacy for debt service) and in APPENDIX A. The District will update and provide this information within six months after the end of each fiscal year.

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 of the District, if the District commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within twelve months after the District’s fiscal year end, then the District shall file unaudited financial statements for the applicable fiscal year to the MSRB within such twelve-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation.

The District’s fiscal year end is September 30. Accordingly, it must provide updated information by March 31 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 CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

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

For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term “Financial Obligation” is defined in the Bond Order to mean (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, and existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that “Financial Obligation” shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words in such clauses (15) and (16) in the preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 29, 2018.

The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under “– Annual Reports.”

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

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 holders or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

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

MISCELLANEOUS

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

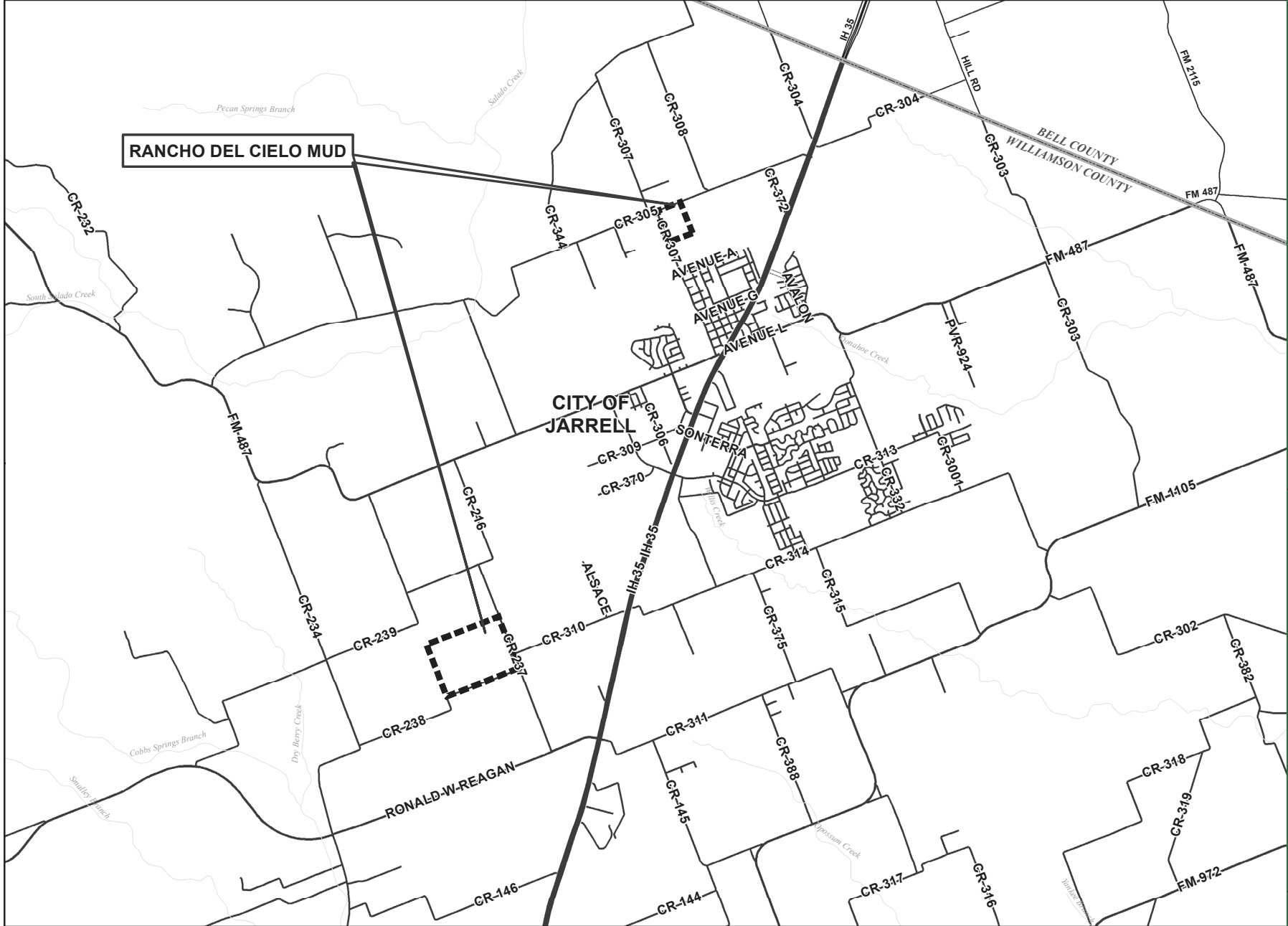
/s/ Meredith Kizewski
President, Board of Directors
Rancho del Cielo Municipal Utility District

ATTEST:

/s/ Nathan Kelly
Secretary, Board of Directors
Rancho del Cielo Municipal Utility District

AERIAL BOUNDARY MAP

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RANCHO DEL CIELO MUD

CITY OF JARRELL

BELL COUNTY
WILLIAMSON COUNTY

**Rancho Del Cielo Municipal Utility District
Vicinity Map**

Project Name:
Rancho Del Cielo
MUD Bl #1
Project Number:
1035-011
Date:
July 2023

0 4,000 8,000 Feet

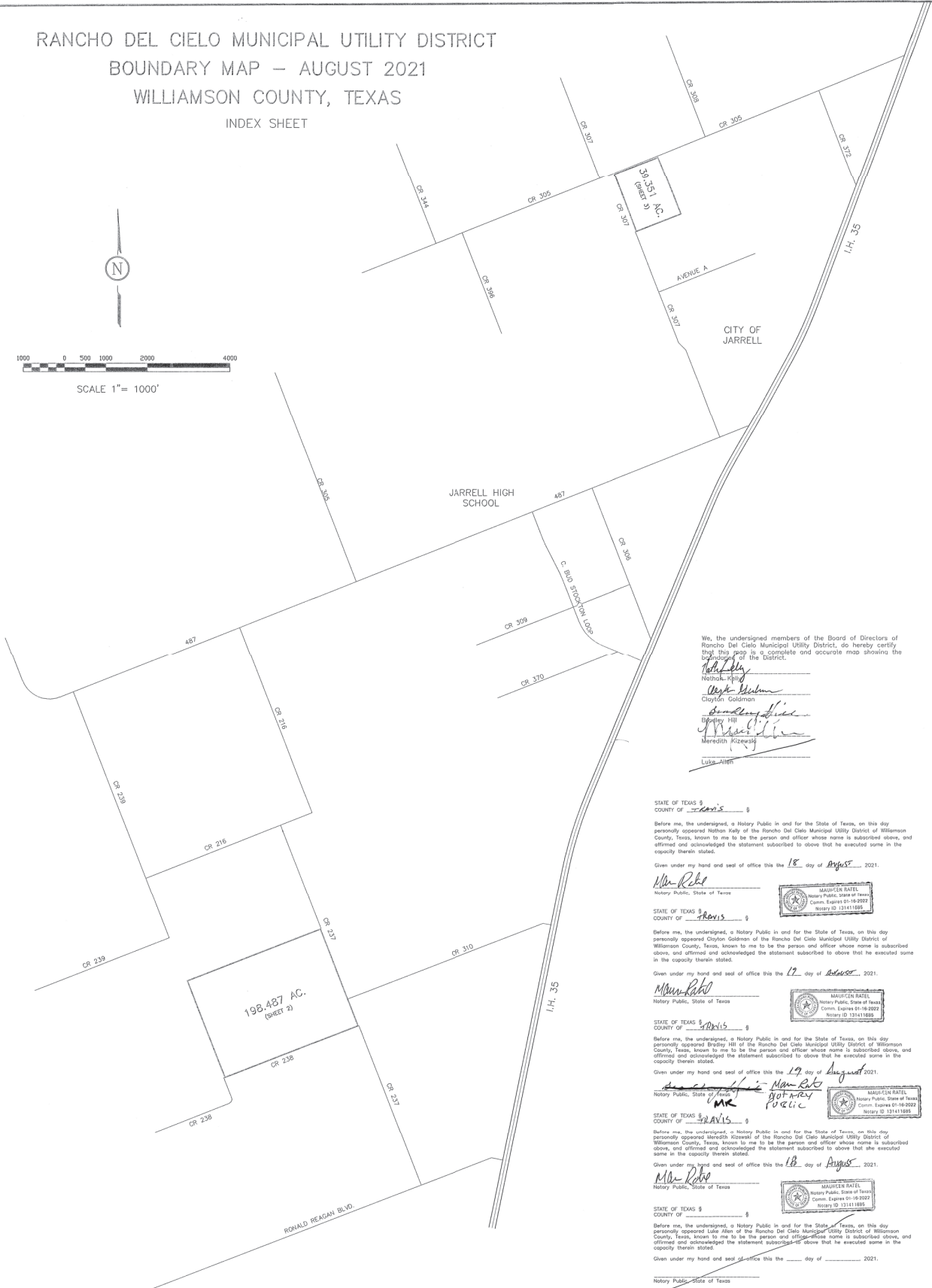
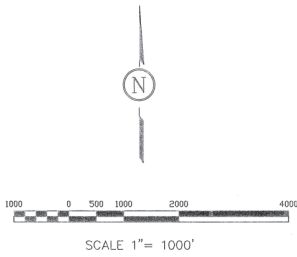
JONES - HEROY & ASSOCIATES, INC.
13915 N. Mopac Expy
Suite 408
Austin, Texas 78728
Office: (512) 989-2200
Fax: (512) 989-2213
TBPE Reg. Firm F-006520



Legend:

- Rancho Del Cielo MUD Boundary
- Major Roads
- County Boundary

RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
 BOUNDARY MAP - AUGUST 2021
 WILLIAMSON COUNTY, TEXAS
 INDEX SHEET



We, the undersigned members of the Board of Directors of Rancho Del Cielo Municipal Utility District, do hereby certify that this map is a complete and accurate map showing the boundaries of the District.

Nathan Kelly
Nathan Kelly

Clayton Goldman
Clayton Goldman

Brenda Hill
Brenda Hill

Meredith Kizewski
Meredith Kizewski

Luka Allen
Luka Allen

STATE OF TEXAS §
 COUNTY OF Texas §

Before me, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Nathan Kelly of the Rancho Del Cielo Municipal Utility District of Williamson County, Texas, known to me to be the person and officer whose name is subscribed above, and affirmed and acknowledged the statement subscribed to above that he executed same in the capacity therein stated.

Given under my hand and seal of office this the 18 day of August, 2021.

Maurice Bates
Maurice Bates
Notary Public, State of Texas
Comm. Expires 01-16-2022
Notary ID 131411885

STATE OF TEXAS §
 COUNTY OF Texas §

Before me, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Clayton Goldman of the Rancho Del Cielo Municipal Utility District of Williamson County, Texas, known to me to be the person and officer whose name is subscribed above, and affirmed and acknowledged the statement subscribed to above that he executed same in the capacity therein stated.

Given under my hand and seal of office this the 19 day of August, 2021.

Maurice Bates
Maurice Bates
Notary Public, State of Texas
Comm. Expires 01-16-2022
Notary ID 131411885

STATE OF TEXAS §
 COUNTY OF Texas §

Before me, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Brenda Hill of the Rancho Del Cielo Municipal Utility District of Williamson County, Texas, known to me to be the person and officer whose name is subscribed above, and affirmed and acknowledged the statement subscribed to above that she executed same in the capacity therein stated.

Given under my hand and seal of office this the 19 day of August, 2021.

Maurice Bates
Maurice Bates
Notary Public, State of Texas
Comm. Expires 01-16-2022
Notary ID 131411885

STATE OF TEXAS §
 COUNTY OF Texas §

Before me, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Meredith Kizewski of the Rancho Del Cielo Municipal Utility District of Williamson County, Texas, known to me to be the person and officer whose name is subscribed above, and affirmed and acknowledged the statement subscribed to above that she executed same in the capacity therein stated.

Given under my hand and seal of office this the 18 day of August, 2021.

Maurice Bates
Maurice Bates
Notary Public, State of Texas
Comm. Expires 01-16-2022
Notary ID 131411885

STATE OF TEXAS §
 COUNTY OF Texas §

Before me, the undersigned, a Notary Public in and for the State of Texas, on this day personally appeared Luka Allen of the Rancho Del Cielo Municipal Utility District of Williamson County, Texas, known to me to be the person and officer whose name is subscribed above, and affirmed and acknowledged the statement subscribed to above that he executed same in the capacity therein stated.

Given under my hand and seal of office this the ___ day of ___, 2021.

Notary Public, State of Texas

RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
 TOTAL ACREAGE
 237.838 ACRES

THIS SURVEY WAS PREPARED FROM FIELD MEASUREMENTS AND COMPUTATIONS FROM RECORD DEED INFORMATION. THIS SURVEY WAS PREPARED FOR THE PURPOSE OF DEFINING MUNICIPAL UTILITY DISTRICT BOUNDARIES.

AUGUST 6, 2021

T.A.B.
TIMOTHY A. LENZ, R.P.L.S. 14363
LENZ & ASSOCIATES, INC.
FIRM NUMBER 100290-00
4150 FREDRICH LANE, SUITE A1
AUSTIN, TEXAS 78744
(512) 443-1174

SHEET 1 OF 3

LENZ & ASSOCIATES, INC.
 FIRM NO. 100290-00
 COMPLETE PROFESSIONAL LAND SURVEYING SERVICES
 (512) 443-1174
 4150 FREDRICH LANE, SUITE A1
 AUSTIN, TEXAS 78744
 SURVEY # 2018-0693 F.B.

APPENDIX A

AUDITED FINANCIAL STATEMENT OF THE DISTRICT

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Rancho del Cielo Municipal Utility District
Williamson County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Rancho del Cielo Municipal Utility District (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the District as of September 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the 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

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

January 8, 2024

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Rancho del Cielo Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2023. Since this information is designed to focus on 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 \$26,964, an increase of \$12,136 from the previous fiscal year. General Fund revenues were \$34,730, expenditures were \$122,594, and the developer advanced the District \$100,000 during the current fiscal year.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$87,864 during the current fiscal year. Net position decreased from a deficit balance of \$112,172 at September 30, 2022 to a deficit balance of \$200,036 at September 30, 2023.

OVERVIEW OF THE DISTRICT

The District was created on April 27, 2021, by the Texas Commission on Environmental Quality, in accordance with Article XVI, Section 59 of the Constitution of the State of Texas and with Chapters 49 and 54 of the Texas Water Code, and was confirmed pursuant to an election held within the District on November 8, 2022. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control.

The District contains approximately 237.838 acres of land and is partially located within the extraterritorial jurisdiction of the City of Jarrell, Texas in Williamson County.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

For purposes of GASB 34, the District is considered a special purpose government. This allows the District to present the required fund and government-wide statements in a single schedule. The requirement for fund financial statements that are prepared on the modified accrual basis of accounting is met with the "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 Change 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*.

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

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2023	2022	
Current and other assets	\$ 44,673	\$ 50,091	\$ (5,418)
Capital and non-current assets	-	-	-
Total Assets	\$ 44,673	\$ 50,091	\$ (5,418)
Current liabilities	\$ 17,709	\$ 35,263	\$ (17,554)
Long-term liabilities	227,000	127,000	100,000
Total Liabilities	\$ 244,709	\$ 162,263	\$ 82,446
Net investment in capital assets	-	-	-
Restricted for debt service	-	-	-
Unrestricted	(200,036)	(112,172)	(87,864)
Total Net Position	\$ (200,036)	\$ (112,172)	\$ (87,864)

The District's net position decreased by \$87,864 to a deficit balance of \$200,036 from the previous year's deficit balance of \$112,172.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2023	2022	
Inspection fees	\$ 34,682	\$ -	\$ 34,682
Interest and other revenue	48	4	44
Total Revenues	\$ 34,730	\$ 4	\$ 34,726
Professional fees	\$ 108,958	\$ 71,236	\$ 37,722
Recurring operating	13,636	33,611	(19,975)
Total Expenses	\$ 122,594	\$ 104,847	\$ 17,747
Change in Net Position	\$ (87,864)	\$ (104,843)	\$ 16,979
Beginning Net Position	(112,172)	(7,329)	(104,843)
Ending Net Position	\$ (200,036)	\$ (112,172)	\$ (87,864)

Revenues were \$34,730 for the fiscal year ended September 30, 2023 while expenses were \$122,594. Net position decreased \$87,864 for the fiscal year ended September 30, 2023.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

ANALYSIS OF GOVERNMENTAL FUND

Governmental Fund by Year

	2023	2022
Cash	\$ 42,916	\$ 48,919
Other	1,757	1,172
Total Assets	\$ 44,673	\$ 50,091
Liabilities	\$ 17,709	\$ 35,263
Total Liabilities	\$ 17,709	\$ 35,263
Nonspendable	\$ 1,757	\$ -
Unassigned	25,207	14,828
Total Fund Balance	\$ 26,964	\$ 14,828
Total Liabilities and Fund Balance	\$ 44,673	\$ 50,091

As of September 30, 2023, the District's governmental fund reflected a fund balance of \$26,964. For the year ended September 30, 2023, fund balance increased by \$12,136.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted an unappropriated budget on November 22, 2022 for the 2023 fiscal year. The budget included projected revenues and other financing sources of \$165,000 as compared to expenditures of \$163,920. When comparing actual results to budget, the District had a positive variance of \$11,056. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The net property tax assessed value for 2023 (September 30, 2024 fiscal year) is approximately \$19 million. The fiscal year 2024 tax rate, as approved by the Board on September 11, 2023, is \$0.95 on each \$100 of taxable value. Approximately 74% of the property tax will fund general operating expenses and 26% will fund interest and principal payments on future bonded debt.

The adopted budget for fiscal year 2024 projects a \$14,433 increase to the operating fund balance.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2023**

	General Fund	Adjustments Note 2	Government - Wide Statement of Net Position
<u>ASSETS</u>			
Cash	\$ 42,916	\$ -	\$ 42,916
Prepaid costs	1,757	-	1,757
TOTAL ASSETS	\$ 44,673	-	44,673
<u>LIABILITIES</u>			
Accounts payable	\$ 17,709	-	17,709
Long-term liabilities - Due to developer	-	227,000	227,000
TOTAL LIABILITIES	17,709	227,000	244,709
<u>FUND BALANCE / NET POSITION</u>			
Fund balance:			
Nonspendable	1,757	(1,757)	-
Unassigned	25,207	(25,207)	-
TOTAL FUND BALANCE	26,964	(26,964)	-
TOTAL LIABILITIES AND FUND BALANCE	\$ 44,673		
Net position:			
Unrestricted		(200,036)	(200,036)
TOTAL NET POSITION		\$ (200,036)	\$ (200,036)

The accompanying notes are an integral part of this statement.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2023**

	General Fund	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES -			
Inspection fees	\$ 34,682	\$ -	\$ 34,682
Interest and other	48	-	48
TOTAL REVENUES	\$ 34,730	\$ -	\$ 34,730
EXPENDITURES / EXPENSES -			
Current:			
Utilities	\$ 392	\$ -	\$ 392
Director fees, including payroll taxes	4,258	-	4,258
Legal fees	59,421	-	59,421
Accounting fees	12,650	-	12,650
Engineering fees	36,887	-	36,887
Insurance	1,172	-	1,172
Election fees	7,422	-	7,422
Other	392	-	392
TOTAL EXPENDITURES / EXPENSES	\$ 122,594	\$ -	\$ 122,594
Excess (deficiency) of revenues over (under) expenditures / expenses	\$ (87,864)	\$ -	\$ (87,864)
OTHER FINANCING SOURCES/(USES) -			
Developer advances	\$ 100,000	\$ (100,000)	\$ -
TOTAL OTHER FINANCING SOURCES, NET	\$ 100,000	\$ (100,000)	\$ -
NET CHANGE IN FUND BALANCE	\$ 12,136	\$ (12,136)	\$ -
CHANGE IN NET POSITION		(87,864)	(87,864)
FUND BALANCE / NET POSITION:			
Beginning of the year	14,828	(127,000)	(112,172)
End of the year	\$ 26,964	\$ (227,000)	\$ (200,036)

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Ranch del Cielo Municipal Utility District (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 includes those principles prescribed by the Governmental Accounting Standards Board (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created on April 27, 2021, by the Texas Commission on Environmental Quality, in accordance with Article XVI, Section 59 of the Constitution of the State of Texas and with Chapters 49 and 54 of the Texas Water Code, and confirmed pursuant to an election held within the District on November 8, 2022. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”), the members of which have been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units 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 capital assets, including restricted capital and intangible assets, net of accumulated depreciation and amortization and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.
- Restricted Net Position – This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- Unrestricted Net Position – This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

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

RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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 the Management's Discussion and Analysis, which includes an analytical overview of the District's financial activities. In addition, a budgetary comparison statement is presented that compares the adopted General Fund budget with actual results.

- **Government-Wide Financial Statements:** The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District. In addition, the government-wide Statement of Activities column reflects depreciation 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. The District's only fund is considered a major fund.

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.

RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

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 deferred outflows of resources and current liabilities and deferred inflows of resources 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 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 GAAP.

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.

RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

The District may report unearned revenues 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 balance for unearned revenues is removed from the balance sheet and revenue is recognized.

Budgets and Budgetary Accounting - An unappropriated budget was adopted on November 22, 2022, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current fiscal year.

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

Pensions - The District has not established a pension plan as 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 - Cash includes cash on deposit.

Prepaid Expenditures - Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures in both the government-wide and fund financial statements. Prepaid expenditures shall be charged to expenditures when consumed.

Fund Balances - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Those fund balance classifications are described below.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.
- Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation. The District had no such amounts.
- Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board. The District had no such amounts.
- Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed. The District had no such amounts.
- Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Fund Balance Sheet on page FS-1.

Fund balance of the District may be committed for a specific purpose by formal action of the Board, the District's highest level of decision-making authority. Commitments may be established, modified, or rescinded only through a resolution approved by the Board. The Board may also assign fund balance for a specific purpose.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

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 - General Fund	\$ 26,964
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund: Developer advances	<u>(227,000)</u>
Net Position - Governmental Activities	<u>\$ (200,036)</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 - General Fund	\$ 12,136
Amounts reported for governmental activities in the Statement of Activities are different because: Governmental fund reports: Developer advances in year received	<u>(100,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (87,864)</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.

Cash - At September 30, 2023, the carrying amount of the District's deposits was \$42,916 and the bank balance was \$44,846. The bank balance was covered by FDIC insurance.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

4. COMMITMENTS AND CONTINGENCIES

The developer of the land within the District has incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality. On November 8, 2022, a bond election held within the District approved authorization to issue \$106,500,000 of bonds to fund costs for water, wastewater and drainage system facilities. Additionally, \$13,100,000 of bonds to fund parks and recreational facilities were approved by voters of the District. As of September 30, 2023, the District has not issued any unlimited tax bonds to reimburse the developer for District construction and creation costs or parks and recreational facilities. At September 30, 2023, the District has \$227,000 outstanding and due to the developer for advances used to fund operating activities of the District.

5. 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.

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023**

6. CONSENT AGREEMENT

Pursuant to the Utility and Consent Agreement entered into by the District, the developers, and the City of Jarrell, Texas (“the City”), dated effective as of August 9, 2021, as amended by Amendment No. 1 to Utility and Consent Agreement, dated effective as of September 13, 2021 (as amended, the “Consent Agreement”), the District and the developers will design, finance, and construct all utility and drainage facilities required to serve the District, including all necessary water and wastewater facilities designed and constructed in accordance with applicable City requirements and design standards.

Upon completion and acceptance of water and wastewater facilities constructed by or on behalf of the District, the water and wastewater facilities will be conveyed to the City. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City will operate and maintain all water and wastewater facilities conveyed and provide retail water and wastewater services to customers within the District at the City’s standard water and wastewater rates. In addition, all road improvements constructed by or on behalf of the District will be conveyed to Williamson County for future upkeep and maintenance. The Consent Agreement will continue in effect until the District is dissolved and its obligations are assumed by the City at the City’s sole election.

**REQUIRED SUPPLEMENTARY
INFORMATION**

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES -			
Inspection fees	\$ 34,682	\$ -	\$ 34,682
Interest and other	48	-	48
TOTAL REVENUES	<u>\$ 34,730</u>	<u>\$ -</u>	<u>\$ 34,730</u>
EXPENDITURES -			
Current:			
Utilities	\$ 392	\$ -	\$ (392)
Management fees	-	30,000	30,000
Director fees, including payroll taxes	4,258	9,720	5,462
Legal fees	59,421	72,000	12,579
Accounting fees	12,650	16,200	3,550
Engineering fees	36,887	30,000	(6,887)
Insurance	1,172	2,000	828
Election fees	7,422	-	(7,422)
Other	392	4,000	3,608
TOTAL EXPENDITURES	<u>\$ 122,594</u>	<u>\$ 163,920</u>	<u>\$ 41,326</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(87,864)</u>	<u>(163,920)</u>	<u>76,056</u>
OTHER FINANCING SOURCES -			
Developer advances	100,000	165,000	(65,000)
TOTAL OTHER FINANCING SOURCES	<u>100,000</u>	<u>165,000</u>	<u>(65,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 12,136</u>	<u>\$ 1,080</u>	<u>\$ 11,056</u>
FUND BALANCE:			
Beginning of the year	14,828		
End of the year	<u>\$ 26,964</u>		

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APPENDIX B

FORM OF BOND COUNSEL'S OPINION

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[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.]

**RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS, SERIES 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,230,000**

AS BOND COUNSEL FOR RANCHO DEL CIELO MUNICIPAL UTILITY DISTRICT (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 July 8, 2024 authorizing the issuance of the Bonds (the "Order").

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

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

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable



from contracts with other persons, including private corporations, municipalities, and political subdivisions.

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

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

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

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



to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

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

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

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

Respectfully,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES