

OFFICIAL NOTICE OF SALE

\$6,600,000

KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
(A Political Subdivision of the State of Texas Located in Kendall County, Texas)

UNLIMITED TAX UTILITY SYSTEM BONDS, SERIES 2024

Sealed Bids Due: August 12, 2024, at 10:00 a.m., Local time  
Award: August 12, 2024, at Noon, Local time

The Bonds are obligations solely of Kendall County Municipal Utility District No.1 (the "District") and are not obligations of Kendall County, Texas; the State of Texas; or any entity or political subdivision other than the District.

THE DISTRICT PLANS TO DESIGNATE THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

THE SALE

**Bonds Offered for Sale at Competitive Bidding** . . . The District is offering for sale its \$6,600,000 Unlimited Tax Utility System Bonds, Series 2024 (the "Bonds").

**Place and Time of Bid Opening** . . . The Board will open and publicly read sealed bids for purchase of the Bonds at the designated meeting place outside the boundaries of the District at the offices of District at the Cordillera Ranch Office located at 28 Cordillera Trace, Boerne, Texas 78006, at Noon, local time.

**Award of Bonds** . . . On the day of the sale at Noon, the Board of Directors of the District (the "Board") will hold at a meeting at which it will take action to award the Bonds or reject all bids promptly upon the opening of bids. Upon awarding the Bonds, the District will also adopt the order authorizing issuance of the Bonds (the "Bond Order") and will approve the Official Statement, which will be an amended form of the Preliminary Official Statement. Sale of the Bonds will be made subject to the terms, conditions and provisions of the Bond Order to which Bond Order reference is hereby made for all purposes.

**Address of Bids/Bids Delivered in Person** . . . Sealed bids, plainly marked "Bid for Bonds," should be addressed to the Board and, if delivered in person, delivered to the designated meeting place outside the boundaries of the District at the Cordillera Ranch Office located at 28 Cordillera Trace, Boerne, Texas 78006, **by 10:00 a.m., local time**, on the date of the bid opening. All bids must be submitted on the "Official Bid Form" without alteration or interlineation. Copies of the Official Bid Form accompany this Official Notice of Sale.

**Electronic Bidding Procedure** . . . Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY. Subscription to i-Deal's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe. Bidders submitting an electronic bid shall not be required to submit Official Bid Forms.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Notice of Sale and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. The District shall not be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of, PARITY, the use of such facilities being the sole risk of the prospective bidder.

**If any provisions of the Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from i-Deal, 1359 Broadway, 2nd Floor, New York, NY 10018, (212) 849-5000.**

Notice is hereby given that electronic proposals may be submitted electronically via **PARITY** pursuant to this Notice of Sale, **until 10:00 a.m. local time**, but no bid will be received after the time for receiving bids specified above.

**For purposes of both the written sealed bid process and the electronic bidding process, the time as maintained by PARITY shall constitute the official time.** For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "CONDITIONS OF SALE - Basis for Award" below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the Official Bid Form.

## THE BONDS

**Description of Bonds** . . . The Bonds will be dated August 12, 2024, and interest on the Bonds will be payable on February 1 and August 1 of each year, commencing February 1, 2025 (each an “Interest Payment Date”), until maturity or earlier redemption. 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 pursuant to the Book-Entry-Only System described in the PRELIMINARY OFFICIAL STATEMENT. No physical delivery of the Bonds will be made to the owners thereof. The initial paying agent/registrars (the “Paying Agent”) is BOKF, NA, Dallas, Texas. The Bonds mature serially on August 1 in the years and amounts shown below.

<u>Principal Amount Maturing</u>	<u>Year of Maturity</u>	<u>Principal Amount Maturing</u>	<u>Year of Maturity</u>
\$ 215,000	2026	\$320,000	2036 <sup>(i)</sup>
200,000	2027	340,000	2037 <sup>(i)</sup>
210,000	2028	360,000	2038 <sup>(i)</sup>
220,000	2029	375,000	2039 <sup>(i)</sup>
235,000	2030	400,000	2040 <sup>(i)</sup>
245,000	2031	420,000	2041 <sup>(i)</sup>
260,000	2032	445,000	2042 <sup>(i)</sup>
275,000	2033 <sup>(i)</sup>	470,000	2043 <sup>(i)</sup>
290,000	2034 <sup>(i)</sup>	495,000	2044 <sup>(i)</sup>
305,000	2035 <sup>(i)</sup>	520,000	2045 <sup>(i)</sup>

- (i) The District reserves the right to redeem, prior to maturity, those Bonds maturing on and after August 1, 2033, in whole or from time to time in part on August 1, 2032, or any date thereafter, in integral multiples of \$5,000 at a price of par plus accrued interest from the most recent Interest Payment Date to the date fixed for redemption.

**Serial Bonds and/or Term Bonds** . . . Bidders may provide that all of the Bonds be issued as Bonds maturing serially as shown above (the “Serial Bonds”) or may provide that any two or more consecutive maturing annual principal amounts be combined into one or more “Term Bonds”. In the event any of the Bonds are structured as Term Bonds at the option of the Initial Purchaser (as defined herein), such Term Bond will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Order, which provisions will be included in the final Official Statement.

**Source of Payment** . . . The Bonds, when issued, will constitute valid and binding obligations of the District payable as to principal and interest from the proceeds of a continuing, direct, annual ad valorem tax levied against taxable property located within the District, without legal limitation as to rate or amount, as described in the Preliminary Official Statement. See “THE BONDS – Source of Payment” in the Preliminary Official Statement.

**Other Terms and Covenants** . . . Other terms of the Bonds and various covenants of the District contained in the Bond Order under which the Bonds are to be issued are described in the Preliminary Official Statement, to which reference is made for all purposes.

**Book-Entry-Only System** . . . The District intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”). See “BOOK-ENTRY-ONLY SYSTEM” in the Preliminary Official Statement.

**Municipal Bond Rating** . . . The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.

## CONDITIONS OF SALE

**Types of Bids and Interest Rates** . . . The Bonds will be sold in one block, on an all or none basis, and no bid of less than 97% of par value plus accrued interest to the date fixed for delivery will be accepted. The net effective interest rate must not exceed 6.23% pursuant to an Order of the Texas Commission on Environmental Quality. Bidders must specify the rate or rates of interest the Bonds will bear, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates that may be used and the highest interest rate bid may not exceed the lowest interest rate bid by more than 3% in rate. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid.

**Basis of Award** . . . For the purpose of awarding the sale of the Bonds, the total interest cost of each bid will be computed by determining, at the rate or rates specified, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities and adding thereto the dollar amount of the discount bid, if any, or deducting there from the premium bid, if any. Subject to the right of the District to reject any or all bids, the Bonds will be awarded to the bidder whose bid, based on the above computation, produces the lowest net effective interest rate. In the event of mathematical discrepancies between the interest rates and the interest costs determined therefrom, as both appear on the "Official Bid Form," the bid will be determined solely from the interest rates shown on the "Official Bid Form."

**Contracting Information** . . . The District will not award the Bonds to a bidder unless the bidder verifies on behalf of itself and each syndicate member listed on the Official Bid Form that, the bidder and each syndicate member listed on the Official Bid Form will (i) preserve all contracting information related to the bid as provided by the records retention requirements applicable to the District through the delivery date of the Bonds, (ii) promptly provide to the District any contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member on request of the District, and (iii) upon delivery of the Bonds to the bidder, either (a) provide at no cost to the District all contracting information related to the bid that is in the custody or possession of the bidder or any syndicate member or (b) preserve the contracting information related to the bid as provided by the records retention requirements applicable to the District. The term "contracting information" as used in this paragraph has the meaning assigned to such term in Section 552.003 of the Texas Government Code.

**Good Faith Deposit** . . . Each bid must be accompanied by a bank cashier's check payable to the order of "Kendall County Municipal Utility District No. 1" in the amount of \$132,000, which is 2% of the par value of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Initial Purchaser") will be retained un-cashed by the District until the Bonds are delivered. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned to the Initial Purchaser un-cashed or applied to the purchase price of the Bonds. In the event the Initial Purchaser should fail or refuse to accept delivery of and pay for the Bonds in accordance with its bid, then the check will be cashed and the proceeds accepted by the District as full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the District that the Initial Purchaser was found not to satisfy the requirements described under "CONDITIONS OF SALE – Statutory Representations and Covenants" and "– Standing Letter Requirement" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then said check shall be cashed and accepted by the District but shall not be the sole or exclusive remedy available to the District. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn, which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded. No interest will be paid or allowed on any Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

**Obligation of the District to Receive Information from Initial Purchaser** . . . Pursuant to Texas Government Code, Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the bidder either: (a) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (b) represents to the District by marking the appropriate check box on the signature page of the Official Bid Form that the bidder represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity (the "Publicly Traded Entity Representation"). In the event that the bidder's bid for the Bonds is the best bid received and the bidder does not provide the Publicly Traded Entity Representation, the District, acting through its financial advisor, will promptly notify the bidder. That notification will serve as the conditional verbal acceptance of the bid and the winning bidder must promptly file the materials described below.

The Disclosure Form can be found at <https://www.ethics.state.tx.us/filinginfo/1295/> and reference should be made to the following information to complete it: (a) item 2 — Kendall County Municipal Utility District No. 1, (b) item 3 — (identification number assigned to this contract) "KCMUD 1 - S2024" and (c) item 3 — (description of goods or services) Initial Purchaser of Bonds.

If the bidder doesn't provide the Publicly Traded Entity Representation, the District cannot accept your bid unless and until you: (i) complete the Disclosure Form electronically at the TEC's "electronic portal", and (ii) print, sign and deliver a copy of the Disclosure Form that is generated by the TEC's "electronic portal." These materials must be delivered electronically to the District's Bond Counsel at [traymond@orrick.com](mailto:traymond@orrick.com) and Financial Advisor at [clane@samcocapital.com](mailto:clane@samcocapital.com) no later than 12:00p.m. (CDT) on the bid due date.

If the Disclosure Form is required, time will be of the essence in submitting the form to the District, and no bid will be accepted by the District unless a completed Disclosure Form is received on time. If multiple entities are listed on the winning Official Bid Form and the Publicly Traded Entity Representation is not provided, each such entity will be required to submit a Disclosure Form to the District.

Neither the District nor its consultants have the ability to verify the information included in a Disclosure Form, and neither have an obligation nor undertake responsibility for advising any bidder with respect to the proper completion of the Disclosure Form. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid.

If the apparent winning bidder fails to promptly file the Disclosure Form, the District reserves the right to reject such bid and, through its financial advisor, provide conditional verbal acceptance to the bidder submitting a bid, conforming to the specifications herein, which produces the next, lowest net effective interest rate to the District.

**Impact of Bidding Syndicate on Award.**...For purposes of contracting for the sale of the Bonds, the entity signing the bid form as Initial Purchaser shall be solely responsible for the payment of the purchase price of the Bonds. The Initial Purchaser may serve as a syndicate manager and contract under a separate agreement with other syndicate members. However, the District is not a party to that agreement and any information provided regarding syndicate managers would be for informational purposes only.

**Statutory Representations and Covenants** . . . By submitting a bid, each bidder makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used in therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Bonds created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary.

*Not a Sanctioned Company.* Each bidder represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

*No Boycott of Israel.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

*No Discrimination Against Firearm Entities.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

*No Boycott of Energy Companies.* Each bidder hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

**Standing Letter Requirement** . . . The winning bidder represents that it, and each syndicate member listed on the Official Bid form, if any, has, as of the date bids are due on the Bonds and as of closing, on file with the Texas Attorney General a standing letter addressing the representations and verifications described above under "Statutory Representations and Covenants" in this Notice of Sale in the form attached as Exhibit B to the Updated Recommendations for Compliance with the Texas BPA Verification and Representation Requirements (December 1, 2023) of the Municipal Advisory Council of Texas or any other form accepted by the Texas Attorney General (a "Standing Letter"). In addition, if the winning bidder or the parent company, a wholly- or majority-owned subsidiary or another affiliate of such winning bidder receives or has received a letter from the Texas Comptroller of Public Accounts or the Texas Attorney General seeking written verification that such bidder is a member of the Net Zero Banking Alliance, Net Zero Insurance Alliance, Net Zero Asset Owner Alliance, or Net Zero Asset Managers or of the representations and certifications contained in the winning bidder's Standing Letter (a "Request Letter"), the winning bidder shall promptly notify the District and Bond Counsel (if it has not already done so) and provide to the District or Bond Counsel, two (2) business days prior to closing and additionally upon request by the District or Bond Counsel, written verification to the effect that its Standing Letter described in the preceding sentence remains in effect and may be relied upon by the District and the Texas Attorney General (the "Bringdown Verification"). The Bringdown Verification shall also confirm that the winning bidder (or the parent company, a wholly- or majority-owned subsidiary or other affiliate of the winning bidder that received the Request Letter) intends to timely respond or has timely responded to the Request Letter. The Bringdown Verification may be in the form of an e-mail.

**The District reserves the right, in its sole discretion, to reject any bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. In the event that a bidder does not have such standing letter on file at the time of submission of a bid, the bidder agrees to file such standing letter with the Municipal Advisory Council of Texas and the Texas Attorney General's Office by the earlier of: (a) two (2) hours after submitting its bid, and (b) the deadline for bids for the Bonds.**

## OFFICIAL STATEMENT

By accepting the winning bid, the District agrees to the following representations and covenants to assist the Initial Purchaser in complying with Rule 15c2-12 of the Securities and Exchange Commission ("SEC").

**Final Official Statement** . . . The District has prepared the accompanying Preliminary Official Statement for dissemination to potential Initial Purchasers of the Bonds but will not prepare any other document or version for such purpose, except as described below. The District will be responsible for completing the Official Statement by inserting the interest rates bid, the purchase price bid, the ratings assigned to the Bonds (if not currently included) if applicable, the initial public offering yields as set forth in the Official Bid Form, or otherwise supplied by the Initial Purchaser, and for preparing and inserting the final debt service schedule. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. Accordingly, the District deems the accompanying Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for the omission of the foregoing items. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Initial Purchaser on or after the sale date, the District represents the same to be complete as of such date, within the meaning of SEC Rule 15c2-12(f)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are or will be made by the District are those described in the Official Statement under "OFFICIAL STATEMENT - Certification as to Official Statement."

**Changes to Official Statement During Underwriting Period** . . . If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to SEC Rule 15c2-12 (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule 15c2-12) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement, which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as, described below. See "DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery." The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule 15c2-12), unless the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional 25 days after all the Bonds have been sold to ultimate customers. In the event the Initial Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Initial Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule 15c2-12.

**Delivery of Official Statements** . . . The District will furnish to the Initial Purchaser (and to each other participating Initial Purchaser of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements requested but not in excess of 50 copies. The District will also furnish to the Initial Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential Initial Purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Initial Purchaser may request prior to the 90th day after the end of the underwriting period referred to in SEC Rule 15c2-12(e)(2). The District will pay the expense of preparing up to 50 copies of the Official Statement and all copies of any supplement or amendment issued on or before the delivery date, but the Initial Purchaser must pay for all other copies of the Official Statement or any supplement or amendment thereto.

**Severability** . . . In case any provision herein, or application thereof, shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions or applications shall not in any way be affected or impaired thereby.

## DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

**Delivery** . . . The Initial Bond will be tendered to the Initial Purchaser as a single typewritten, photocopied or otherwise reproduced bond for the entire issue in fully registered form in the aggregate principal amount of \$6,600,000 payable to the Initial Purchaser or its representative as designated in the Official Bid Form, and approved by the Attorney General of the State of Texas and registered and signed by the Comptroller of Public Accounts of the State of Texas. Upon delivery of the Initial Bond, it shall be immediately canceled and one definitive Bond for each maturity will be registered to Cede & Co., and deposited with DTC in connection with DTC's Book-Entry-Only System. Initial delivery will be at the designated office for payment of the Paying Agent in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The District will endeavor to provide at least five (5) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about September 5, 2024, and it is understood and agreed that the Initial Purchaser will accept delivery and make payment for the Bonds no later than 10:00 a.m., local time on September 5, 2024 or thereafter on the date the Bonds are tendered for delivery up to and including

October 4, 2024. If for any reason the District is unable to make delivery on or before September 5, 2024, then the District shall immediately contact the Initial Purchaser and offer to allow the Initial Purchaser to extend his offer for an additional thirty (30) days. If the Initial Purchaser does not elect to extend its offer within five (5) business days thereafter, then the Good Faith Deposit will be returned, and both the District and the Initial Purchaser shall be relieved of any further obligation. In no event will the District be liable for any damages by reason of its failure to deliver the Bonds, provided such failure is due to circumstances beyond the District's reasonable control.

**CUSIP Numbers** . . . It is anticipated that CUSIP identification numbers will be printed or otherwise reproduced on the Bonds, but neither the failure to print such numbers on any Bond nor any error with respect thereto shall constitute cause of a failure or refusal by the Initial Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and the terms of the Official Bid Form. All expenses in relation to the printing of CUSIP numbers on the Bonds shall be paid by the District. However, the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of and shall be paid for by the Initial Purchaser.

**Conditions to Delivery** . . . The obligation of the Initial Purchaser to take up and pay for the Bonds is subject to the Initial Purchaser's receipt of the legal opinion of the Attorney General of Texas, the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel for the District ("Bond Counsel"), the no-litigation certificate, as described below, and the non-occurrence of the events described below under "No Material Adverse Change". In addition, if the District fails to comply with its obligations under "OFFICIAL STATEMENT" above, the Initial Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

**Legal Opinions** . . . The District will furnish the Initial Purchaser a transcript of certain proceedings held incident to the authorization and issuance of the Bonds, including a certified copy or original of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of a continual direct annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District. The District also will furnish the legal opinion of Bond Counsel, based upon the assumption described in the Preliminary Official Statement under the heading "LEGAL MATTERS – Legal Proceedings," to the effect that the Bonds are valid and binding obligations of the District and that the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" in the Preliminary Official Statement. Neither the opinion of the Attorney General nor the opinion of Bond Counsel will express any opinion or make any comment with respect to the sufficiency of the security for or the marketability of the Bonds.

**Certification of Issue Price** . . . In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended, relating to the exemption of interest on the Bonds from the gross income of their owners, the Initial Purchaser will be required to complete, execute, and deliver to the District (on or before the date of delivery of the Bonds) a certification as to the "issue price" of the Bonds substantially in the form accompanying this "Notice of Sale" of the Bonds. In the event the successful bidder will not re-offer the Bonds for sale or is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner approved by the District and Bond Counsel. Each bidder, by submitting its bid, agrees to complete, execute, and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Initial Purchaser to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel. In no event will the District fail to deliver the Bonds as a result of the Initial Purchaser's inability to sell a substantial amount of the Bonds at a particular price prior to delivery.

**Competitive Bidding and Certificate Regarding Issue Price** . . . In the event that the District does not receive sufficient qualified bids to satisfy the competitive sale requirements of Treasury Regulation § 1.148-1(f)(3)(i), allowing the District to treat the reasonably expected initial offering price to the public as of the sale date as the issue price of the Bonds, the District will treat (i) the first price at which 10 percent of a maturity of the Bonds is sold to the public as the issue price of that maturity (the "10 percent rule") or (b) if the Initial Purchaser has agreed in writing not to sell or offer certain maturities of the Bonds at a price higher than the initial offering price for such maturities for a period of five business days after the sale date, the initial offering price to the public as of the sale date of such maturities of the Bonds is the issue price of that maturity (the "hold the price rule"). With respect to the maturities of the Bonds that are subject to the 10 percent rule, if the 10 percent rule has not been satisfied as to any maturity of the Bonds, the Initial Purchaser agrees to promptly report to SAMCO Capital Markets, Inc., the prices at which it sells Bonds of that maturity to the public. This reporting obligation shall continue, whether or not the Bonds have been delivered, until the 10 percent rule has been satisfied. Alternative language is included in the Certificate Regarding Issue Price for use (I) when the competitive sale requirements of Treasury Regulation §1.148-1(f)(3)(i) are met and (II) when such requirements are not met.

**Qualified Tax-Exempt Obligations for Financial Institutions** . . . Section 265(a) of the Code provides, in general, that interest paid or incurred by a taxpayer, including a "financial institution," as defined in the code, on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible by such taxpayer in determining 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 which is a "financial institution" allocable to tax-exempt obligations, other than "private

activity bonds," which are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any subordinate issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the 2022 calendar year. Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a twenty percent (20%) disallowance of allocable interest expense.

The District expects to designate the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action, which would assure or to refrain from such action which would adversely affect the treatment of the Bonds as "qualified tax-exempt obligations."

**No Material Adverse Change** . . . The obligations of the District to deliver the Bonds and of the Initial Purchaser to accept delivery of and pay for the Bonds are subject to the condition that at the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition of the District from those set forth in or contemplated by the Preliminary Official Statement as it may have been supplemented or amended through the date of sale.

**No-Litigation Certificate** . . . On the date of delivery of the Bonds to the Initial Purchaser, the District will deliver to the Initial Purchaser a certificate, as of the same date, substantially to the effect that to the best of the District's knowledge no litigation of any nature is pending or, to the best of the certifying officers' knowledge or belief, threatened against the District, contesting or affecting the Bonds; restraining or enjoining the authorization, execution, or delivery of the Bonds; affecting the provision 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 or the title of the present officers and directors of the District.

**Rule G-32 Requirements** . . . It is the responsibility of the Initial Purchaser to comply with the Municipal Securities Rulemaking Board's Rule G-32 within the required time frame. The Initial Purchaser must send two copies of the Official Statement along with two complete Form G-32's to the appropriate address.

### CONTINUING DISCLOSURE AGREEMENT

The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with SEC Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Initial Purchaser's (s) or its (their) agent's obligation to accept and pay for the Bonds is conditioned upon delivery to the Initial Purchaser of a certified copy of the Bond Order containing the agreement described under such heading.

### GENERAL CONSIDERATIONS

**Investment Considerations** . . . The Bonds involve certain investment considerations and all prospective bidders are urged to examine carefully the Preliminary Official Statement with respect to the investment considerations associated with the Bonds. Particular attention should be given to the information set forth therein under the caption "INVESTMENT CONSIDERATIONS."

**Reservation of Rights** . . . The District reserves the right to reject any and all bids and to waive any and all irregularities, except time of filing.

**Not an Offer to Sell** . . . This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form

**Registration and Qualification Under Securities Laws** . . . The Bonds will not be registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, 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.

By submission of a bid, the Initial Purchaser represents that its sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Initial Purchaser will register and qualify the Bonds in accordance with the securities laws of any jurisdiction which so requires. The District agrees to cooperate, at the Initial Purchaser's written request and expense, in registering or qualifying the Bonds, or in obtaining exemption from registration or qualification, in any state where such action is necessary, provided that the District shall not be required to file a general or special consent to service or process in any jurisdiction.

**Copies of Documents** . . . Copies of the Official Notice of Sale, the Preliminary Official Statement, the Official Bid Form, Audits, and the pro forma Bond Order may be obtained at the offices of SAMCO Capital Markets, Inc., 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731, Financial Advisor to the District.

Jay Gilmore, President  
Board of Directors  
Kendall County Municipal Utility District No. 1

\_\_\_\_\_, 2024





Our calculation (which is not a part of this bid) of the interest cost from the above bid is:

Total Interest Cost.....	\$ _____
Plus: Cash Discount.....	\$ _____
Net Interest Cost .....	\$ _____
Net Effective Interest Rate.....	_____ %

The initial bond shall be registered in the name of Cede & Co. We will advise the office for payment of BOKF, NA, Dallas, Texas the Paying Agent, on forms to be provided by the Paying Agent, of our registration instructions at least five (5) business days prior to the date set for initial delivery of Bonds on the closing date. We will not ask the Paying Agent to accept any registration instructions after the five (5) day period for delivery of Bonds on the closing date.

Cashier's Check No. \_\_\_\_\_, issued by \_\_\_\_\_(name of bank) and payable to your order in the amount of \$132,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as the Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions of such Official Notice of Sale, such check shall be cashed and the proceeds retained as complete liquidated damages against us in accordance with the Official Notice of Sale. We hereby represent that sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws of the states in which the Bonds are offered or sold.

The undersigned bidder and each syndicate member listed herein makes the following representations and, if its bid is accepted, covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as heretofore amended (the "Government Code"). As used therein, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder and each syndicate member listed herein within the meaning of Securities and Exchange Commission Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. If a bidder's bid is accepted, then liability for breach of any such representation or covenant during the term of the contract for purchase and sale of the Bonds created thereby (the "Purchase Contract") shall survive until barred by the applicable statute of limitations and shall not be liquidated or otherwise limited by any provision of the bid or this Official Notice of Sale, notwithstanding anything herein or therein to the contrary. The term of this Purchase Contract terminates upon the date of delivery of the Bonds or, if earlier, exercise of a termination right (which may not be based on and existing or incipient breach of a verification).

The undersigned bidder and each syndicate member listed herein represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes each bidder and each syndicate member listed herein and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

The undersigned bidder and each syndicate member listed herein hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and, if its bid is accepted, will not boycott Israel during the term of the Purchase Contract. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

The undersigned bidder and each syndicate member listed herein hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and, if its bid is accepted, will not discriminate against a firearm entity or firearm trade association during the term of the Purchase Contract. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

No Boycott of Energy Companies. The undersigned bidder and each syndicate member listed herein hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and, if its bid is accepted, will not boycott energy companies during the term of the Purchase Contract. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

We agree to accept delivery of the Bonds utilizing the Book-Entry-Only System through DTC and make payment for the Initial Bond in immediately available funds in the Corporate Trust Division, BOKF, NA, Dallas, Texas not later than 10:00 AM, local time, on September 5, 2024, or thereafter on the date the Bonds are tendered for delivery, pursuant to the terms set forth in the Notice of Sale. It will be the obligation of the Initial Purchaser of the Utility Bonds to complete the DTC Eligibility Questionnaire.

The undersigned agrees to complete, execute, and deliver to the District, at least six (6) business days prior to the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form and to the effect attached to or accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District. To the extent that such "issue price" certificate is not adequate for inclusion in the District's federal tax certificate, the undersigned agrees to execute an issue price certificate as may be required by the District's Bond Counsel. The undersigned further agrees to provide in writing the initial reoffering prices and other terms, if any, to SAMCO Capital Markets, Inc. by the close of the next business day after the award.

Upon acceptance of this bid by the District, the accepted bid and Official Notice of Sale will together comprise a binding contract between the winning bidder and the District in accordance with their terms. The acceptance of the bid creates a binding contract with a term that extends until the Bonds are taken up and paid for by the bidder or any earlier termination of this contract in accordance with the terms of the Official Notice of Sale.

In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either: (i) submits a Certificate of Interested Parties Form 1295 (the "Disclosure Form") to the District as prescribed by the Texas Ethics Commission ("TEC"), or (ii) certifies below that it is exempt from filing the Disclosure Form by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

Unless the bidder certifies that it is exempt from filing a Disclosure Form with the District, upon notification of conditional verbal acceptance, the undersigned will complete an electronic Disclosure Form through the TEC electronic portal and the resulting certified Disclosure Form that is generated by the TEC's electronic portal will be printed, signed and sent by email to the District's financial advisor at [clane@samcocapital.com](mailto:clane@samcocapital.com). The undersigned understands that the failure to provide the certified Disclosure Form will prohibit the District from providing final written award of the enclosed bid.

**Entity Submitting Bid - Check One:**

\_\_\_\_\_ Disclosure Form - Entity will provide a Disclosure Form as and when required by the Notice of Sale.

\_\_\_\_\_ Publicly Traded Entity Representation - The entity hereby represents to the District that it is a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

(Syndicate members, if any)

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Respectfully submitted,

\_\_\_\_\_

By: \_\_\_\_\_

Authorized Representative

Phone Number: \_\_\_\_\_

**ACCEPTANCE CLAUSE**

The above and foregoing bid is hereby accepted by Kendall County Municipal Utility District No. 1 this \_\_\_\_ day  
of \_\_\_\_\_, 2024.

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

\_\_\_\_\_  
President, Board of Directors

**\$6,600,000**  
**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**(A Political Subdivision of the State of Texas Located in Kendall County, Texas)**  
**UNLIMITED TAX UTILITY SYSTEM BONDS, SERIES 2024**

**ISSUE PRICE CERTIFICATE**

The undersigned, being a duly authorized representative of the underwriter or the manager of the syndicate of underwriters (“Underwriter”) which has purchased the Unlimited Tax Utility System Bonds (the “Bonds”), being issued by Kendall County Municipal Utility District No. 1 (the “Issuer”), hereby certifies and represents, based on its records and information, as follows:

(1) On the Sale Date, the Underwriter’s reasonably expected initial offering price of each Maturity of the Bonds (the “Expected Offering Price”) to as the Public is set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Issue Price Certificate as **Schedule A**. The Expected Offering Prices are the prices for the Bonds used by the Underwriter in formulating its bid to purchase the Bonds.

(2) The Underwriter had an equal opportunity to bid to purchase the Bonds and it was not given the opportunity to review other bids that was not equally given to all other bidders (i.e., no last look).

(3) The bid submitted by the Underwriter constituted a firm bid to purchase the Bonds.

(4) The Underwriter has made a bona fide offering of all the Bonds of each Maturity to the Public at its Expected Offering Price set forth in **Schedule A**.

***If less than 3 qualified bids are received from underwriters please attach Schedule B.***

(5) On the Sale Date, the first price at which at least 10% of each Maturity of the Bonds, except for Bonds listed on Schedule B (the “Hold-the-Offering-Price Maturities”), was sold to the Public is the respective price listed in Schedule A.

(6) As set forth in the Notice of Sale for the Bonds, the Underwriter has agreed in writing that, (i) for each of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Expected Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Bonds of the Hold-the-Offering-Price Maturities to any person at a price that is higher than the respective Expected Offering Price for that Maturity of the Bonds during the Holding Period.

(7) ***Defined Terms.***

(i) *Hold-the-Offering-Price Maturities* means those Maturities of the Bonds listed in Schedule B hereto as the “Hold-the-Offering-Price Maturities.”

(ii) *Holding Period* means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which the Underwriter has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Expected Offering Price for such Hold-the-Offering-Price Maturity.

(iii) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(iv) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any entity if an Underwriter and such entity are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profit interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(v) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the Bonds. The Sale Date of the Bonds is August 12, 2024.

(vi) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(8) Please choose the appropriate statement:

( ) Purchaser will not purchase bond insurance for the Bonds.

( ) Purchaser will purchase bond insurance from \_\_\_\_\_ (the “Insurer”) for a fee/premium of \$ \_\_\_\_\_ (the “Fee”). To the best of the undersigned’s knowledge, information and belief, based upon the facts available at this time and current market conditions, the Fee is a reasonable amount payable solely for the transfer of credit risk for the payment of debt service on the Bonds and does not include any amount payable for a cost other than such guarantee, e.g., a credit rating or legal fees. Purchaser represents that the present value of the Fee for each obligation constituting the Bonds to which such Fee is properly allocated and which are insured thereby is less than the present value of the interest reasonably expected to be saved as a result of the insurance on each obligation constituting the Bonds. In determining present value for this purpose, the yield of the Bonds (determined with regard to the payment of the guarantee fee) has been used as the discount rate. The Fee has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. No portion of the Fee is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such Fee that has not been earned.

The undersigned understands that the foregoing information will be relied upon by Issuer with respect to certain of the representations set forth in the Federal Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Orrick, Herrington & Sutcliffe LLP in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds. Notwithstanding anything set forth herein, the Underwriter is not engaged in the practice of law and makes no representation as to the legal sufficiency of the factual matters set forth herein.

\_\_\_\_\_  
[Initial Purchaser]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2024

**SCHEDULE A**  
**PRICING WIRE**  
*(Attached)*

**SCHEDULE B**  
**HOLD-THE-OFFERING-PRICE MATURITIES**

*(Attached)*



**PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 2, 2024**

**NEW ISSUE**

**BOOK-ENTRY-ONLY**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds. See "TAX MATTERS" herein.

**THE DISTRICT WILL DESIGNATE THE BONDS AS  
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.**

**\$6,600,000**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
(A Political Subdivision of the State of Texas Located in Kendall County, Texas)  
UNLIMITED TAX UTILITY SYSTEM BONDS, SERIES 2024**

**Dated: Date of Delivery (defined herein)**

**Due: August 1, as shown below**

Interest on the herein described bonds (the "Bonds") will accrue from date of delivery and is payable on February 1 and August 1 of each year, commencing February 1, 2025 (each an "Interest Payment Date"), until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. See "BOOK-ENTRY ONLY SYSTEM." 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/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar/Registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are obligations solely of the Kendall County Municipal Utility District No. 1 (the "District") and are not obligations of Kendall County, Texas; the State of Texas; or any entity other than the District.

---

**MATURITY SCHEDULE**

See Schedule on page 2

---

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of a continuing, direct annual ad valorem tax, without legal limitation to rate or amount, levied against taxable property within the District. See "THE BONDS - Source of Payment." THE BONDS ARE SUBJECT TO SPECIAL INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. Bond purchasers are encouraged to read this entire Official Statement prior to making an investment decision, including particularly the section titled "INVESTMENT CONSIDERATIONS."

The District has submitted applications to municipal bond insurance companies to have the payment of the principal and interest on the Bonds insured by a municipal bond insurance policy. See "MUNICIPAL BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.

The Bonds are offered, when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the legal opinion of Orrick, Herrington & Sutcliffe LLP, Austin, Texas, Bond Counsel and Disclosure Counsel. Delivery of the Bonds is expected through DTC on or about September 5, 2024 (the "Date of Delivery").

**BIDS DUE AUGUST 12, 2024, 10:00 AM C.S.T**

This Preliminary Official Statement and the information contained herein are subject to completion or amendment without notice. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.

**MATURITIES**  
**(Due August 1)**

CUSIP Prefix: \_\_\_\_\_(d)

<u>Principal Amount (a)</u>	<u>Interest Rate (b)</u>	<u>Due</u>	<u>Initial Reoffering Yield (c)</u>	<u>CUSIP Suffix (d)</u>	<u>Principal Amount (a)</u>	<u>Interest Rate (b)</u>	<u>Due</u>	<u>Initial Reoffering Yield (c)</u>	<u>CUSIP Suffix (d)</u>
\$215,000		2026			\$320,000		2036*		
200,000		2027			340,000		2037*		
210,000		2028			360,000		2038*		
220,000		2029			375,000		2039*		
235,000		2030			400,000		2040*		
245,000		2031			420,000		2041*		
260,000		2032			445,000		2042*		
275,000		2033*			470,000		2043*		
290,000		2034*			495,000		2044*		
305,000		2035*			520,000		2045*		

\* The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after August 1, 2033, in whole or from time to time in part, on August 1, 2032, and 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. In the event any of the Bonds are structured as "term" Bonds at the option of the Initial Purchaser (as defined herein), such term Bond will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Order (as defined herein), which provisions will be included in the final Official Statement. See "THE BONDS - Redemption Provisions".

(a) The Initial Purchaser may elect to designate one or more term Bonds. See accompanying Official Notice of Sale and Official Bid Form.

(b) 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 \_\_\_\_\_% of par resulting in a net effective interest rate to the District of \_\_\_\_\_%.

(c) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first call date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.

(d) CUSIP numbers are included solely for the convenience of the owners of the Bonds. 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 Initial Purchaser, the District nor the Financial Advisor shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

**TABLE OF CONTENTS**

USE OF INFORMATION IN OFFICIAL STATEMENT ...	3	Facilities Acquisition and Service Agreement .....	32
SALE AND DISTRIBUTION OF THE BONDS .....	3	THE UTILITY SYSTEM .....	32
Award of the Bonds .....	3	General .....	32
Prices and Marketability .....	3	Water , Wastewater and Drainage System.....	32
Securities Laws.....	4	DEBT AND FINANCIAL INFORMATION.....	33
Municipal Bond Insurance and Rating.....	4	Future Debt.....	33
OFFICIAL STATEMENT SUMMARY .....	5	GENERAL FUND OPERATING HISTORY .....	34
THE DISTRICT .....	5	FINANCIAL STATEMENT .....	35
THE BONDS.....	6	Assessed Value.....	35
INVESTMENT CONSIDERATIONS.....	7	Unlimited Tax Bonds Authorized but Unissued .....	35
SELECTED FINANCIAL INFORMATION.....	8	Outstanding Bonds .....	36
INTRODUCTION .....	9	Cash and Investment Balances.....	36
THE BONDS.....	9	Investment Authority and Investment Practices	
General Description .....	9	of the District .....	36
Authority for Issuance .....	10	Current Investments .....	36
Redemption Provisions.....	10	Estimated Overlapping Debt Statement.....	37
Termination of Book-Entry-Only System .....	11	Overlapping Taxes.....	37
Source of Payment .....	11	DEBT SERVICE SCHEDULE .....	38
Perfected Security Interest.....	12	TAX DATA.....	39
Payment Record.....	12	Classification of Assessed Valuation.....	39
Funds .....	12	Tax Collections .....	39
Replacement of Paying Agent/Registrar.....	12	District Tax Rates .....	39
Issuance of Additional Debt.....	12	Tax Rate Limitation.....	39
Remedies in Event of Default .....	13	Maintenance Tax .....	40
Legal Investment and Eligibility to Secure		Top Ten Taxpayers.....	40
Public Funds in Texas .....	13	Tax Adequacy for Debt Service.....	40
Defeasance .....	13	TAXING PROCEDURES .....	41
Amendment to Bond Order .....	14	Authority to Levy Taxes.....	41
Approval of Bonds.....	14	Valuation of Property for Taxation.....	41
BOOK-ENTRY-ONLY SYSTEM.....	14	State Mandated Homestead Exemptions .....	41
USE AND DISTRIBUTION OF BOND PROCEEDS .....	17	Local Homestead Exemption .....	41
INVESTMENT CONSIDERATIONS.....	18	Personal Property.....	42
General .....	18	Freeport Exemptions.....	42
Factors Affecting Taxable Values and Tax Payments ...	18	Other Exempt Property	
Tax Collections and Foreclosure Remedies .....	19	Tax Abatement Agreements.....	42
Registered Owners' Remedies.....	19	District and Taxpayer Remedies .....	42
Bankruptcy Limitation to Registered Owners' Rights....	20	Rollback of Operation and Maintenance	
The Effect of Financial Institutions Act of 1989		Tax Rate .....	42
on Tax Collections of the District .....	20	Levy and Collection of Taxes .....	43
Marketability.....	21	Districts' Rights in the Event of Tax Delinquencies .....	43
Continuing Compliance with Certain Covenants .....	21	Delinquent Tax Payments for Disaster Areas .....	44
Future Debt .....	21	LEGAL MATTERS .....	44
Approval of Bonds.....	21	Legal Proceedings.....	44
Future and Proposed Legislation.....	21	No Material Adverse Change.....	45
Environmental Regulation.....	22	No-Litigation Certificate .....	45
Potential Impact of Natural Disaster .....	22	TAX MATTERS .....	45
MUNICIPAL BOND INSURANCE AND RATING .....	22	Qualified Tax-Exempt Obligations	
BOND INSURANCE RISK FACTORS .....	22	For Financial Institutions.....	47
Bond Insurance Risk Factors.....	22	CONTINUING DISCLOSURE OF INFORMATION .....	47
Claims-Paying Ability and Financial		Annual Reports .....	47
Strength of Municipal Bond Insurers .....	23	Event Notices.....	47
DISTRICT MAP .....	24	Availability of Information from MSRB .....	48
THE DISTRICT .....	26	Compliance with Prior Undertakings.....	48
General .....	26	FINANCIAL ADVISOR .....	48
Location.....	26	OFFICIAL STATEMENT .....	48
Management of the District.....	27	Preparation .....	48
Historical and Current Status of Development.....	28	Experts.....	49
Future Development .....	31	Updating the Official Statement During	
Consolidation .....	31	Underwriting Period .....	49
Alteration of Boundaries .....	31	Certification as to Official Statement.....	49
DEVELOPERS .....	31	Official Statement "Deemed Final" .....	49
Role of the Developer.....	31	PHOTOGRAPHS	
The Developer.....	31	APPENDIX A - District Audited Financial Statements	
Agricultural Waiver .....	32	APPENDIX B - Form of Bond Counsel's Opinion	
Utility Construction Agreements .....	32		

For purposes of compliance with Rule 15c2-12 of the United States Security and Exchange Commission (the "Rule"), this document constitutes a Preliminary Official Statement of the District with respect to the Bonds that has been deemed "final" by the District as of its date except for omission of the information permitted by the Rule.

### **USE OF INFORMATION IN OFFICIAL STATEMENT**

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

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 SAMCO Capital Markets, Inc. 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, and to the extent that information actually comes to its attention, other matters described in the "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

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

### **SALE AND DISTRIBUTION OF THE BONDS**

#### **Award of the Bonds**

After requesting competitive bids for the Bonds, the District has accepted the bid of \_\_\_\_\_ (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of this Official Statement at a price of \_\_\_\_\_% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

#### **Prices and Marketability**

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts. In connection with the offering of the Bonds, the Initial Purchaser may over - allot or effect transactions which stabilize or maintain

the market prices 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 are more generally bought, sold or traded in the 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; nor have the Bonds been registered or qualified under the securities laws of any other jurisdiction. The District assumes no responsibility for registration of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdiction.

#### **No Municipal Bond Rating**

The District has made no application for a municipal bond rating of the Bonds, nor is it expected that the District would have been successful in receiving an investment grade rating had such application been made.

[Remainder of page intentionally left blank]

**OFFICIAL STATEMENT SUMMARY**

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

**THE DISTRICT**

The Issuer ..... Kendall County Municipal Utility District No. 1 (the “District”), is a political subdivision of the State of Texas, was created by Chapter 8484, Acts of the 83rd Legislature of the State of Texas, Regular Session 2013, on June 14, 2013, as a municipal utility district operating under Chapters 49 and 54, Texas Water Code, and Chapter 8484, Texas Special District Local Laws Code (the “District Act”), as authorized by Article XVI, Section 59 of the Texas Constitution. See “THE DISTRICT – General”.

Location..... The District, which encompasses approximately 2,235.125 acres of land, is located entirely within Kendall County, Texas, approximately 13 miles northeast of the City of Boerne, Texas. The District is located just east of FM 3351 and just south of Edge Falls Road. The District is located wholly within Boerne Independent School District, and not within the corporate limits or extraterritorial jurisdiction of any municipality. See “THE DISTRICT”.

Developer ..... There is currently one active developer operating within the District: CR/KWW Partnership, Ltd. (“CRKWW” or the “Developer”). CRKWW is developing the District as “The Springs of Cordillera Ranch.” See “DEVELOPER” herein.

Development within  
The District..... As of July 15, 2024, there are 191 developed residential lots in the District; such lots include approximately 36 completed homes, 32 homes under construction, and 123 vacant developed lots (of which 102 are sold/ closed to individuals and 21 are owned by the Developer). There are an additional 42 platted lots that are currently under construction with streets and utilities (of which 8 are sold), projected to be completed in the third quarter of 2024 (paving of these streets is underway as of July 15, 2024). Upon completion of development, the District is expected to include 784 home sites with lot sizes averaging 2 to 2.5 acres and home sizes averaging 4,500 square feet. As of July 15, 2024, approximately 726 acres (of which 623 acres are residential) of the approximately 2,235.125 acres of land within the District have been developed as residential and/or are currently platted or under construction upon what are known as the Springs of Cordillera Ranch Units 301A, 301B, 301C, 302, 302A, 303, 304 and 305. The Springs of Cordillera Ranch Units 301A, 301B, 301C, 302 and 302A, 303 and 304 are fully completed with streets and utilities. Unit 305 streets and utilities are under construction and targeted to be complete by September 1, 2024. Lots in the District are primarily purchased by individuals planning to build a custom home and there is no time restriction on when a home must be constructed on any lot in the District.

Homebuilders..... The community consists of custom homes wherein buyers purchase lots from the Developer and then select a custom homebuilder to build the home. There are six “Preferred Builders” in the: District: Garner Homes, Todd Glowka Builder, Lifestyle by Stadler, Pasadera Builders, Burdick Custom Homes, and Paul Allen Custom Homes. These Preferred Builders occasionally purchase individual lots from the Developer and build and sell spec / inventory homes, but the primary sales are to individuals that purchase a developed lot, design a custom home with an architect and construct the home with a custom builder. Preferred Builders construct a majority of the custom homes built in the District; however, a property owner may build with a different builder provided that they meet the Design Guideline requirements and receive approval from the Architectural Review Committee. New homes by these homebuilders range from the \$1,500,000 to the

\$3,000,000+ price range. These base prices do not include lot premiums or buyer requested upgrades. See “THE DISTRICT – Historical and Current Status of Development.”

### THE BONDS

Description .....	The Bonds, in the aggregate principal amount of \$6,600,000, mature annually in varying amounts on August 1 of each year from 2026 through 2045. Interest accrues from the date of delivery at the rates per annum set forth on page 2 hereof and is payable on February 1 and August 1 of each year, commencing February 1, 2025, until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS – General Description."
Redemption.....	Bonds maturing on and after August 1, 2033 are subject to optional redemption, in whole or from time to time in part, at the option of the District on August 1, 2032, and on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. In the event any of the Bonds are structured as “term” Bonds at the option of the Initial Purchaser (as defined herein), such term Bond will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Bond Order (as defined herein), which provisions will be included in the final Official Statement. See “THE BONDS – Redemption Provisions”.
Source of Payment.....	Principal and interest on the Bonds are payable from the proceeds of a continuing, direct annual ad valorem tax levied upon all taxable property within the District, which under Texas law is not limited as to rate or amount. <b>The Bonds are obligations solely of the District and are not obligations of the State of Texas; Kendall County, Texas; or any other political subdivision or entity other than the District.</b> See "THE BONDS - Source of Payment."
Payment Record.....	The Bonds represent the first series of bonds to be issued by the District. See “FINANCIAL STATEMENT – Outstanding Bonds”.
Authority for Issuance .....	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended, the District Act, an election held within the boundaries of the District, an order of the TCEQ, and an order (the “Bond Order”) adopted by the Board of Directors of the District. See “THE BONDS - Authority for Issuance.”
Use of Proceeds .....	The proceeds of the Bonds will be used to finance or acquire (i) water, wastewater and drainage facilities and other related facilities or service capacity rights; (ii) to finance certain engineering and legal costs; (iii) District creation and operating costs; and (iv) water reservation fees. In addition, Bond proceeds will be used to capitalize approximately two years of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
Bonds Authorized But Unissued .....	The Bonds are the first installment of \$81,350,000 in bonds authorized at an election held within the District on May 7, 2016 (the “Bond Election”) for the purpose or purposes of purchasing, constructing, acquiring, owning, leasing, operating, repairing, improving or extending a waterworks system, a sanitary sewer system, a drainage and storm sewer system and solid waste disposal system for the District. After the sale of the Bonds, \$74,750,000 in bonds from the Bond Election will remain authorized. The District also has \$122,025,000 in bonds authorized and remaining for the purpose of refunding all or any portion of the utility bonds.

Municipal Bond Insurance.....	The District has made an application for a commitment to provide municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating company will be at the option and expense of the Initial Purchaser. See "MUNICIPAL BOND INSURANCE " and "BOND INSURANCE RISK FACTORS."
Qualified Tax-Exempt Obligations .....	The District expects to designate the Bonds as "qualified tax-exempt obligations" pursuant to section 265(b) of the Internal Revenue Code of 1986, as amended, and will represent that the total amount of tax-exempt bonds (including the Bonds) issued by it during calendar year 2024 is not reasonably expected to exceed \$6,600,000. See "LEGAL MATTERS - Qualified Tax-Exempt Obligations".
Book-Entry-Only System .....	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 of principal amount or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, the initial paying agent/registrar to Cede & Co. and Cede & Co. will make distribution of the amounts so paid to the beneficial owners of the Bonds. See " BOOK-ENTRY-ONLY SYSTEM".
General Counsel .....	McLean & Howard, L.L.P., Austin, Texas.
Bond Counsel & Disclosure Counsel.....	Orrick, Herrington & Sutcliffe LLP, Austin, Texas.
Financial Advisor .....	SAMCO Capital Markets, Inc., Austin, Texas.
District Engineer.....	Cude Engineers, LLC, San Antonio, Texas.

**INVESTMENT CONSIDERATIONS**

THE PURCHASE AND OWNERSHIP OF THE BONDS INVOLVE CERTAIN INVESTMENT CONSIDERATIONS, AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION CAPTIONED "INVESTMENT CONSIDERATIONS," WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS AND OTHER FACTORS DESCRIBED THEREIN.



**SELECTED FINANCIAL INFORMATION**  
(Unaudited as of July 19, 2024)

2023 Assessed Valuation (100% of estimated market value).....	\$65,214,719	(a)
2024 Assessed Valuation (100% of estimated market value as of July 19, 2024).....	\$83,638,947	(b)
Gross Debt Outstanding (after issuance of the Bonds).....	\$ 6,600,000	(c)
Ratio of Gross Debt to 2023 Assessed Valuation as of January 1, 2024.....	10.12%	
Ratio of Gross Debt to 2024 Assessed Valuation as of July 19, 2024.....	7.89%	
2023 Tax Rate		
Debt Service .....	\$0.5000	
Maintenance & Operations .....	<u>\$0.1500</u>	
Total .....	\$0.6500	
Interest and Sinking Fund Balance (As of May 31, 2024).....	\$325,527	(d)
Average percentage of current tax collections - Tax Years 2019/2023 .....	99.22%	
Average percentage of total tax collections - Tax Years 2019/2023 .....	99.61%	
Projected Average Annual Debt Service Requirement (2026/2045) of the Bonds ("Projected Average Requirement").....	\$516,267	
Tax rate required to pay Projected Average Requirement based upon 2023 Assessed Valuation at 95% collections .....	\$0.83/\$100 A.V.	
Tax rate required to pay Projected Average Requirement based upon 2024 Assessed Valuation as of July 19, 2024 at 95% collections .....	\$0.65/\$100 A.V.	
Projected Maximum Annual Debt Service Requirement (2033) of the Bonds ("Projected Maximum Requirement").....	\$578,000	
Tax rate required to pay Projected Maximum Requirement based upon 2023 Assessed Valuation at 95% collections .....	\$0.93/\$100 A.V.	
Tax rate required to pay Projected Maximum Requirement based upon 2024 Assessed Valuation as of July 19, 2024 at 95% collections .....	\$0.73/\$100 A.V.	
Number of active single-family connections as of July 19, 2024.....	54	(e)
Estimated population as of July 2024.....	189	(f)

- (a) 2023 Certified Taxable Assessed Value within the District as provided by the Kendall Appraisal District ("CAD"). See "TAXING PROCEDURES."
- (b) Provided by the Kendall Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of July 19, 2024 and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through December 31, 2023. Moreover, the ultimate assessed valuation of any improvements added from January 1, 2023, through December 31, 2023, which will be placed on the District's 2024 tax roll, may vary from such estimate once the Appraisal Review Board certifies the value thereof for January 1, 2024.
- (c) Includes the Bonds. Preliminary, subject to change. See "FINANCIAL STATEMENT – Outstanding Bonds."
- (d) Unaudited. As of May 31, 2024. Included in the sale of Bonds is approximately eighteen months of capitalized interest cost estimated at 5.50% of the principal amount of the Bonds (est. \$544,500) which will be deposited to the Interest and Sinking Fund (as defined herein) upon closing. Neither Texas Law nor the Bond Order requires that the District maintain any particular sum in the Interest and Sinking Fund.
- (e) Includes 3 builder connections.
- (f) Based on 3.5 residents per completed single-family connection.

## OFFICIAL STATEMENT

relating to

**\$6,600,000**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT No. 1**  
**(A Political Subdivision of the State of Texas Located in Kendall County, Texas)**  
**Unlimited Tax Utility System Bonds, Series 2024**

### INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Kendall County Municipal Utility District No. 1 (the “District”) of its \$6,600,000 Unlimited Tax Utility System Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 8484, Texas Special District Local Laws Code, as amended (the “District Act”), an election held within the boundaries of the District on May 7, 2016 (the “Bond Election”), an order (the “Bond Order”) adopted by the Board of Directors (the “Board”) of the District on the date of the sale of the Bonds, and an approving order of the Texas Commission on Environmental Quality (the “TCEQ”).

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at McLean & Howard LLP, 4301 Bull Creek Road, Suite 150, Austin, Texas 78731 or during the offering period from the District’s Financial Advisor, SAMCO Capital Markets, Inc., Attn: Christina M. Lane, 6805 Capital of Texas Highway, Suite 350, Austin, Texas 78731 upon payment of reasonable copying, mailing and handling charges.

### THE BONDS

#### General Description

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

The Bonds will bear interest from the date of delivery and will mature on August 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on page 2 hereof. Interest on the Bonds will be paid on February 1 and August 1 of each year, commencing February 1, 2025 (each an “Interest Payment Date”), 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 the denomination 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/Registrar to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas (“Paying Agent/Registrar”).

## **Authority for Issuance**

At the Bond Election, the voters of the District authorized the issuance of \$81,350,000 principal amount of unlimited tax bonds for the purpose or purposes of purchasing, constructing, acquiring, owning, leasing, operating, repairing, improving or extending a waterworks system, a sanitary sewer system, a drainage and storm sewer system and solid waste disposal system for the District. See “Issuance of Additional Debt” below.

By adoption of an order dated December 21, 2023 (the “TCEQ Order”), the TCEQ authorized the District to sell the Bonds subject to certain restrictions, including restrictions on the use of Bond proceeds as summarized in “USE AND DISTRIBUTION OF BOND PROCEEDS”.

The Bonds are issued by the District pursuant to the Bond Election; the TCEQ Order; the Bond Order; Article XVI, Section 59 of the Constitution of the State of Texas; Chapters 49 and 54 of the Texas Water Code, as amended; the District Act; and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas.

Before the Bonds can be issued, the Attorney General of Texas must initially pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

## **Redemption Provisions**

***Optional Redemption...*** The Bonds maturing on and after August 1, 2033, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on August 1, 2032, or on any date thereafter, 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. If less than all the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the Board. If less than all of the Bonds of a particular maturity are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot or such random method as Paying Agent/Registrar shall deem fair and appropriate (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

***Mandatory Sinking Fund Redemption...*** The Initial Purchaser may designate certain maturities of the Bonds as term bonds which would be subject to mandatory redemption.

***Notice of Redemption; Effect of Redemption...*** Notice of any redemption identifying the Bonds to be redeemed in whole or in part will be given by the Paying Agent/Registrar at least 30 days prior to the date fixed for redemption by sending written notice by first class mail or overnight delivery to the Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices will state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the outstanding bonds of a particular series are to be redeemed, the numbers of the Bonds of such series or the portions thereof to be redeemed. Neither the failure to give such notice nor defect therein will affect the sufficiency of the notice given to the Owner. By the date fixed for redemption, due provision must be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption. When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as provided in the Bond Order, the Bonds or portions thereof so redeemed will no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption will terminate on the date fixed for redemption.

***Conditional Notice of Redemption ...*** Notwithstanding anything in the Bond Order to the contrary, the District may make any notice of redemption conditional on the occurrence of a condition precedent. In the event that the District chooses to provide a conditional notice of redemption, the District must include in the notice of redemption that the redemption is conditioned upon the occurrence of a condition precedent. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected Owners. Any Bonds subject to conditional redemption and such redemption has been rescinded will remain outstanding and the rescission of such redemption will not constitute an event of default. Further, in the case of a conditional redemption, the failure of the District to make money or authorized securities available in part or in whole on or before the redemption date will not constitute an event of default.

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

The Bonds are subject to the book-entry-only system administered by DTC. 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/Registrar upon presentation and surrender of the Bonds to the Paying Agent/Registrar at the designated office for payment of the Paying Agent/Registrar in Dallas, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check, dated as of the applicable Interest Payment Date, sent by the Paying Agent/Registrar by United States mail to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent/Registrar requested by a registered owner at the risk and expense of such 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 State of Texas or the city where the Paying Agent/Registrar is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding business day 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/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar 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 be, 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/Registrar. Transfer and exchange for Bonds will be without expense or service charged 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/Registrar to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent/Registrar 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/Registrar 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 15<sup>th</sup> 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/Registrar will provide a replacement Bond in exchange for the mutilated Bond. If a Bond is destroyed, lost or stolen, the Paying Agent/Registrar will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent/Registrar of evidence satisfactory to the Paying Agent/Registrar 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/Registrar of indemnification in an amount satisfactory to hold the District and the Paying Agent/Registrar 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.

## **Source of Payment**

The Bonds and any bonds subsequently issued by the District and payable from taxes, are secured by and payable from the proceeds of a continuing, direct annual ad valorem tax, each, without legal limitation as to rate or amount, levied against all taxable property located within the District. See "TAXING PROCEDURES." The Bonds are obligations of the District and are not the obligations of the State of Texas; Kendall County, Texas; or any other political subdivision or any entity other than the District.

## **Perfected Security Interest**

Chapter 1208, Texas Government Code, as amended, applies to the issuance of the Bonds and the pledge of the taxes granted by the District under the Bond Order, and such pledge is, therefore, valid, effective, and perfected. Should Texas law be amended at any time while the Bonds are Outstanding and unpaid, the result of such amendment being that the pledge of the taxes granted by the District under the Bond Order is to be subject to the filing requirements of Chapter 9, Texas Business & Commerce Code, in order to preserve to the registered owners of the Bonds a security interest in such pledge, the District has agreed in the Bond Order to take such measures as it determines are reasonable and necessary to enable a filing of a security interest in said pledge to occur.

## **Payment Record**

This will be the District's first installment from an authorized issuance of \$81,350,000 for water, wastewater and drainage purposes. The Bonds represent the first series of bonds to be issued by the District.

## **Funds**

***Interest and Sinking Fund...***The Bond Order establishes the District's Utility System Interest and Sinking Fund (the "Interest and Sinking Fund"). The Interest and Sinking Fund will contain two accounts; the Payment Account and the Capitalized Interest Account. The net proceeds of all ad valorem taxes levied and collected for and on account of the Bonds shall be deposited, as collected, to the credit of the Payment Account. An amount equal to approximately 18 months' interest on the Bonds will be deposited from proceeds from sale of the Bonds into the Capitalized Interest Account. Any amounts remaining in the Capitalized Interest Account after the payment of interest on August 1, 2026 will be transferred to the Payment Account of the Interest and Sinking Fund. The Interest and Sinking Fund, which constitutes a trust fund for the benefit of the registered owners and any additional tax bonds issued by the District, is to be kept separate from all other funds of the District, and is to be used for payment of debt service on the Bonds and any of the District's duly authorized additional bonds payable in whole or part from taxes. Amounts on deposit in the Interest and Sinking Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar and, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds payable from taxes.

***Project Fund...***The Bond Order establishes the District's Utility System Project Fund (the "Project Fund"). After the initial deposit to the Capitalized Interest Account, proceeds of the sale of the bonds will be deposited into the Project Fund. Any monies remaining in the Project Fund after completion of construction of the facilities financed with the Bonds will be transferred to the Interest and Sinking Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds and the projects related thereto.

## **Replacement of Paying Agent/Registrar**

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

## **Issuance of Additional Debt**

The District intends to issue additional bonds from its voted authorization necessary to provide and maintain improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT - General." The District's voters have authorized the issuance of \$81,350,000 of unlimited tax utility system bonds and could authorize additional amounts. Following the issuance of the Bonds, the District will have \$74,750,000 of unlimited tax bonds for utility purposes authorized but unissued. The District also has \$122,025,000 in bonds authorized and remaining for the purpose of refunding all or any portion of the utility bonds.

The Bond Order imposes no limitation on the amount of additional general obligation bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. See "INVESTMENT CONSIDERATIONS - Future Debt."

The District is also authorized by statute to engage in firefighting activities, including the issuance of bonds payable from taxes for such purpose. Before the District could issue firefighting bonds payable from taxes, the following actions would be required: (a) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of such bonds by the Attorney General of Texas. The Board has not considered calling an election for purposes of authorization of a detailed master plan and issuance of bonds for firefighting activities at this time.

### **Remedies in Event of Default**

Other than a writ of mandamus and other relief authorized by law, the Bond Order does not expressly provide a specific remedy for a default. Based on recent Texas court decisions, it is unclear whether certain legislation effectively waives governmental immunity of governmental entities for suits for money damages. Even if a registered owner could obtain a judgment against the District for a default in the payment of principal or interest, such judgment could not be satisfied by execution against any property of the District. If the District defaults, a registered owner could petition for a writ of mandamus issued by a court of competent jurisdiction requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the Bond Order. Such remedy might need to be enforced on a periodic basis. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principals of equity. See "INVESTMENT CONSIDERATIONS - Registered Owners' Remedies" and – "Bankruptcy Limitation to Registered Owners' Rights."

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

The Bonds are (a) authorized investments in the State of Texas for banks, savings and loan associations, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees and (b) legal investments for public funds of cities, villages, schools districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are also eligible under the Public Collateral Act to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), and such political subdivisions may impose other, more stringent, requirements in order for the Bonds to be legal investments of such entity's funds or to be eligible to serve as collateral for their funds.

The District makes no representation that the Bonds will be acceptable to banks, savings and loan associations, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, trustees 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.

### **Defeasance**

Except to the extent provided in the Bond Order, any Bond, and the interest thereon, will be deemed to be paid, retired, and no longer outstanding (a "Defeased Bond") when payment of the principal, of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) has been made or caused to be made in accordance with the terms thereof or (ii) has been provided for on or before such due date by irrevocably depositing with or making available to a paying agent (a "Depositary"), with respect to the safekeeping, investment, administration, and disposition of a deposit made for such payment (the "Deposit") (A) lawful money of the United States of America sufficient to make such payment or (B) Government Obligations, which may be in book-entry form, that mature and bear interest payable at times and in amounts sufficient to provide for the scheduled payment and of any Defeased Bond. To cause a Bond scheduled to be paid on a date later than the next scheduled Interest Payment Date on such Bond to become a Defeased Bond, the District must, with respect to the Deposit, enter into an escrow or similar agreement with a Depositary.

The Bond Order provides that "Government Obligations" means any securities permitted by Section 1207.062, Texas Government Code (or any successor statute), including (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by, the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized

investment rating firm not less than “AAA” or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

In connection with any defeasance of the Bonds, the District will cause to be delivered: (i) in the event an escrow or similar agreement has been entered into with a Depository to effectuate such defeasance, a report of an independent financial consulting firm or independent accounting firm verifying the sufficiency of the escrow established to pay the Defeased Bonds in full on the maturity or, with respect to the Bonds, the redemption date thereof (the “Verification”); or (ii) in the event no escrow or similar agreement has been entered into, a certificate from an authorized representative of the District, Paying Agent/Registrar or other qualified financial consultant certifying that the amount deposited with a Depository is sufficient to pay the Defeased Bonds in full on the maturity date, or with respect to the Bonds, the redemption date thereof. In addition to the required Verification or certificate, the District will also cause to be delivered an opinion of nationally recognized bond counsel to the effect that the Defeased Bonds are no longer outstanding pursuant to the terms of the Bond Order and a certificate of discharge of the Paying Agent/Registrar with respect to the Defeased Bonds. The Bonds will remain outstanding under the Bond Order unless and until they are in fact paid and retired or the above criteria are met.

At such time as a Bond will be deemed to be a Defeased Bond under the Bond Order, and all required criteria have been met, such Bond and the interest thereon will no longer be outstanding or unpaid and will no longer be entitled to the benefits of the pledge of the security interest granted under the Bond Order, and such principal and interest will be payable solely from the Deposit of money or Government Obligations; provided, however, the District has reserved the option to be exercised at the time of the defeasance of the Bonds, to call for redemption, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the Owners immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

#### **Amendment to Bond Order**

The Bond Order contains provisions to the effect that the District may, without the consent of or notice to any registered owners of the Bonds amend, change or modify the Bond Order as may be required (a) by the provisions of the Bond Order, (b) for the purpose of curing any ambiguity, inconsistency, or formal defect or omission in the Bond Order, or (c) in connection with any other change which is not to the prejudice of the registered owners of the Bonds. Except for such amendments, changes or modifications, the District shall not amend, change or modify the Bond Order in any manner without the consent of the majority of the registered owners in aggregate principal amount of the outstanding bonds, affected thereby; provided that without the consent of all of the registered owners affected, no such amendment, change, modification, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds or reduce the principal amount thereof or the rate of interest thereon; (ii) give any preference to any Bond over any other Bond; (iii) extend any waiver of default to subsequent defaults; or (iv) reduce the aggregate principal amount of Bonds required for consent to any such amendment, change, modification, or rescission.

#### **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.

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

The Bonds will be available only in book-entry form. Consequently, purchasers of ownership interests in the Bonds will not receive certificates representing their respective interests in the Bonds. This section describes how ownership of the Bonds is to be transferred and how the payments of principal of and interest on the Bonds are to be paid to and accredited by Depository Trust Company, New York, New York (“DTC”), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Underwriters and the District believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service

payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission (“SEC”), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each issue of the Bonds, each in the aggregate principal amount of such issue, 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](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Security (“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 Security 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 an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.



Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District 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).

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

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent/Registrar as set forth in the Bond Order. 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 the District takes no responsibility for the accuracy thereof.

[Remainder of page intentionally left blank]

## USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to (i) finance or purchase certain water, wastewater, drainage facilities and related facilities or service capacity rights, (ii) District operating and creation costs (iii) associated engineering and legal fees and (iv) water reservation fees. In addition, proceeds of the Bonds will be used to capitalize approximately two years of interest on the Bonds and to pay certain costs associated with the issuance of the Bonds.

The presently estimated use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$4,445,906 is estimated to be required for construction costs, and \$2,154,094 is estimated to be required for non-construction costs.

### CONSTRUCTION COSTS:

<b>A. Developer Contribution Items</b>	<b><u>Amount</u></b>
1. Cordillera Ranch Unit 301 A – W, WW, & D	\$1,004,463
2. Cordillera Ranch Unit 301B – W, WW, & D	486,918
3. Cordillera Ranch Unit 301C – W, WW, & D	459,879
4. Cordillera Ranch Unit 302 – W, WW, & D	908,000
5. Storm Water Pollution Prevention Plan (0.25% of Items 1 - 3)	4,900
6. Engineering & Testing (17.57% of Items 1 - 4 total)	<u>668,890</u>
Total Developer Contribution Items	\$3,533,050
<b>B. District Items</b>	
1. GBRA Water Reservations Fees	228,785
2. Water Plant	207,201
3. WWTP	<u>476,870</u>
Total District Items	\$912,856

**TOTAL CONSTRUCTION COSTS (67.36 % OF BIR) \$4,445,906**

### NON-CONSTRUCTION COSTS:

	<b><u>Amount</u></b>
A. Legal Fees (2.08%)	\$ 137,000
B. Fiscal Agent Fees (2.00%)	132,000
C. Interest Cost	
1. Capitalized Interest (24 months at 5.50%)	726,000*
2. Developer Interest	725,718
D. Bond Discount (3%)	198,000
E. Bond Issuance Expenses	44,276
F. Creation Costs	14,000
G. Operating Costs (1.52%)	100,000
H. Bond Application Report Costs	54,000
I. Attorney General's Fee (0.10%)	6,600
J. TCEQ Bond Issuance Fee (0.25%)	16,500

**TOTAL NON-CONSTRUCTION COSTS \$2,154,094**

**TOTAL BOND ISSUE REQUIREMENT \$6,600,000**

\* The District is expected to use 18 months capitalized interest, and the amount will be adjusted after closing.

[Remainder of page intentionally left blank]

## INVESTMENT CONSIDERATIONS

### General

The Bonds, which are obligations of the District and are not obligations of the State of Texas; Kendall County, Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property located within the District. (See "THE BONDS - Source of Payment.") The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

### Factors Affecting Taxable Values and Tax Payments

***Economic Factors 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. The market value of such homes and lots is related to general economic conditions affecting the demand for and taxable value of residences. Demand for lots 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 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 existing values.

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 developers are able to obtain financing for development costs. 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 development and construction within the District. In addition, although located approximately 13 miles from the central downtown business district of the City of Boerne and approximately 44 miles from downtown San Antonio, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the San Antonio metropolitan and regional economics.

***Competition...***The demand for and construction of single-family homes in the District could be affected by competition from other residential developments including residential development in other parts of Cordillera Ranch (of which the District is a part) and other residential developments located in other utility districts located near the District. In addition to competition for new home sales in other parts of Cordillera Ranch and from other nearby developments, there are numerous previously-owned homes in neighborhoods closer to San Antonio that may be for sale. Such homes could represent additional competition for new homes proposed to be sold within the District. However, there are few developing communities in the region that have as established of a reputation as this community (it has successfully been under consistently active development by one developer since 1997) and none in the region that have the array of amenities available in Cordillera Ranch.

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

***Custom Homes...***Other than Preferred Builders who occasionally purchase individual lots from the Developer and build and sell spec / inventory homes, the primary sales are from individuals that purchase a developed lot, design a custom home with an architect and construct the home with a custom builder. The Developer has not entered into lot purchase and sale agreements with homebuilders. Due to primary sales to individuals, buildout of the District may occur at a rate slower than competitive projects where homebuilders take down lotas and construct spec / inventory homes.

***Developer Under No Obligation to the District...*** The Developer has informed the Board of its current plan to continue to develop land in the District for single family home, commercial, future amenities and other uses consistent with a luxury home community. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer 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 subsequent landowners to whom a party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District cannot predict what the future financial condition of the developers will be or what effect, if any, such conditions may have on its ability to pay taxes. See "THE DEVELOPER."

**Impact on District Tax Rates...** Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners within the District to pay their taxes. The 2023 assessed valuation of the District is \$65,214,719 and the assessed value as of July 19, 2024 is \$83,638,947 (see "FINANCIAL STATEMENT"). After issuance of the Bonds, the Projected Maximum Annual Debt Service Requirement is estimated to be \$578,000 (2026) and the Projected Average Annual Debt Service Requirement is estimated to be \$516,267 (2025 through 2045, inclusive). Based on the 2023 assessed valuation and no use of funds on hand, a tax rate of \$0.93 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$578,000 and a tax rate of \$0.83 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement of \$516,267. Assuming (1) no increase or decrease in the preliminary assessed valuation as of July 19, 2024 and (2) no use of funds on hand, a tax rate of \$0.73 per \$100 assessed valuation, at a 95% collection rate would be necessary to pay the Projected Maximum Annual Debt Service Requirement of \$578,000 (2026) and a tax rate of \$0.65 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the Projected Average Annual Debt Service Requirement of \$516,267 (2025 through 2045). See "PROJECTED DEBT SERVICE REQUIREMENTS" and "TAX DATA - Tax Adequacy for Debt Service."

### **Tax Collections 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 State law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures, (b) a bankruptcy court's stay of enforcement of liens for post-petition taxes against a taxpayer, or (c) market conditions limiting the proceeds from a foreclosure sale of taxable property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a 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 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**

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. On June 30, 2006, the Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity must be provided for by statute in "clear and unambiguous" language. In so ruling, the Court declared that statutory language such as "sue and be sued" or "plead and be impleaded", in and of itself, did not constitute a clear and unambiguous waiver of sovereign immunity. It is unclear whether Section 49.066 Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for monetary damage. Even if such a judgement against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered

owners may further be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

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

The enforceability of the rights and remedies of registered owners of the Bonds 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 U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismisses the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (1) is generally authorized to file for federal bankruptcy protection by applicable state law, (2) is insolvent or unable to meet its debts as they mature, (3) desires to effect a plan to adjust such debts, and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. 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 Texas law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with Texas 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 determining 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.

### **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") and the Resolution Trust Corporation ("RTC") when the FDIC/RTC is acting as the conservator or receiver of an insolvent financial institution.

Under FIRREA real property held by the FDIC/RTC is still subject to ad valorem taxation, but such act states (i) that no real property of the FDIC/RTC shall be subject to foreclosure or sale without the consent of the FDIC/RTC and no involuntary liens shall attach to such property, (ii) the FDIC or RTC 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/RTC 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/RTC, and no liens for penalties, fines, interest, attorneys fees, costs of abstract and research fees exist against the real property for the failure of the FDIC/RTC or a prior property owner to pay ad valorem taxes when due. It is also not known whether the FDIC/RTC 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/RTC attempts to enforce the same, these provisions may affect the timeliness of collection of taxes on property, if any, owned by the FDIC/RTC in the District, and may prevent the collection of penalties and interest on such taxes.

### **Marketability**

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

### **Continuing Compliance with Certain Covenants**

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

### **Future Debt**

The District reserves in the Bond Order the right to issue the remaining \$74,750,000 authorized but unissued bonds (see "FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued"), and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. The District has also reserved the right to issue refunding bonds to refund the Bonds and any bonds issued in the future as described in the Bond Order. If the District does issue future bonds or other debt obligations, such issuance could increase gross debt/property valuation ratios and might adversely affect the investment security of the Bonds.

A portion of the proceeds of the Bonds will reimburse the Developer for advanced funds for utilities not yet reimbursed, but after such reimbursement, there may be approximately \$7,640,000 in advanced funds or costs which may need to be reimbursed by the District in the future. All the remaining \$74,750,000 bonds, which have heretofore been authorized by the voters of the District may be issued by the District, with the approval of the TCEQ, from time to time to further reimburse the Developer or as improvement needs arise. In addition, future changes in health, environmental, or other governmental 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."

### **Approval of the Bonds**

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS". 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.

### **Future and Proposed Legislation**

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

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

### **Environmental Regulation**

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

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

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

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

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

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

## **MUNICIPAL BOND INSURANCE**

The District has submitted applications with certain municipal bond insurance companies to have the payment of the principal of and interest on the Bonds insured by a municipal bond insurance policy. In the event the Bonds are qualified for municipal bond insurance, and the Initial Purchaser desires to purchase such insurance, the cost will be paid by the Initial Purchaser. The fees associated with any rating will be paid by the Initial Purchaser. The final Official Statement shall disclose information provided by the insurer relating to any such financial guaranty insurance policy.

## **BOND INSURANCE RISK FACTORS**

### **Bond Insurance Risk Factors**

If municipal bond insurance is purchased for the Bonds, in the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim against the insurer (the "Insurer") of the municipal bond guaranty insurance policy (the "Policy") for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Remedies in Event of Default"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the District. In the event the Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the District, the Financial Advisor or the Initial Purchaser has made independent investigation into the claims-paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given.

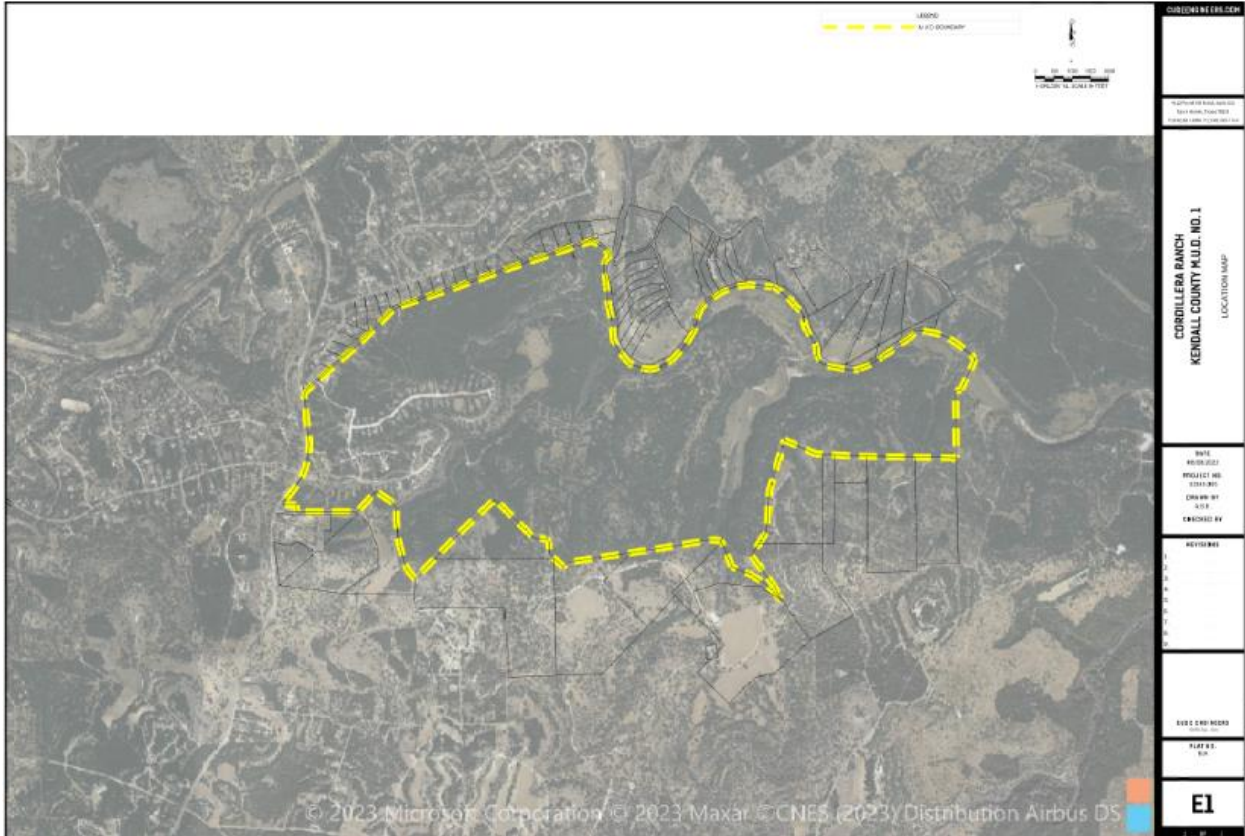
#### **Claims-Paying Ability And Financial Strength Of Municipal Bond Insurers**

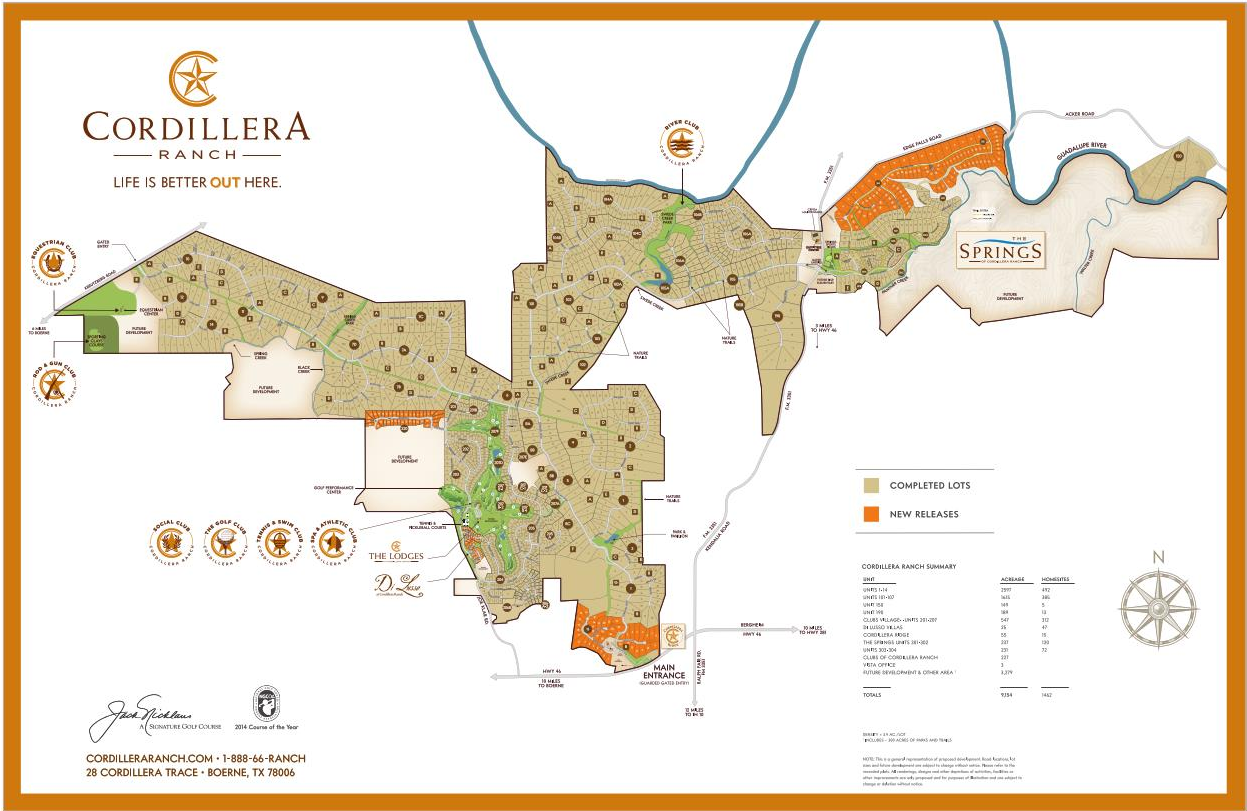
Moody's Investors Service, Inc., S&P Global Ratings, a division of S&P Global Inc. and Fitch Ratings (the "Rating Agencies") have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Bonds and the claims-paying ability of any such bond insurer, particularly over the life of the Bonds.

[Remainder of page intentionally left blank]



# DISTRICT MAP





[Remainder of page intentionally left blank]

## THE DISTRICT

### General

The District is a political subdivision of the State of Texas, as authorized by Article XVI, Section 59 of the Texas Constitution, and operates pursuant to Chapters 49 and 54, Texas Water Code, as amended, and the District Act. The creation of the District was confirmed at an election held within the District on May 7, 2016.

The District contained 2,386.785 acres at the time of creation. By an order dated February 17, 2016, the District excluded 151.66 acres, decreasing the area of the District to the current acreage of 2,235.125 acres.

The District is authorized, 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 to the approximately 2,235.125 acres within its boundaries, all of which lies within Kendall County, Texas. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. Simultaneously with receipt of the conveyance of the water and wastewater facilities (or components thereof) from the Developer, the District is contractually obligated to convey the water and wastewater facilities to the Guadalupe Blanco River Authority (the “GBRA”) pursuant to the terms of a “Section 54.2351 Facilities Acquisition & Reimbursement Agreement” dated July 15, 2024 (the “Facilities Acquisition and Service Agreement”) entered into by the District, Developer, GBRA and Cordillera Ranch LTD. (“CRL”), an affiliate of the Developer. Pursuant to the terms of the Facilities Acquisition and Service Agreement, GBRA is obligated to operate and maintain the water and wastewater facilities and use the conveyed facilities to provide retail water and wastewater services within the District.

The District may also provide solid waste collection and disposal service and is authorized to establish, operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ. The District has no present plans to provide a fire department. Fire protection and emergency services is provided within the District by the Bergheim Volunteer Fire Department (“BVFD”). The BVFD has a fire station approximately four miles from the District and, in 2023, the BVFD purchased approximately 2 acres for a proposed future fire station located in the northwest portion of the District.

### Location

The District, which encompasses approximately 2,235.125 acres of land, is located entirely within Kendall County, approximately 13 miles northeast of the City of Boerne, and approximately 44 miles north of the City of San Antonio. The District is located just east of FM 3351 and just south of Edge Falls Road. The District is located wholly within Boerne Independent School District (“Boerne ISD”), and not within the corporate limits or extraterritorial jurisdiction of any municipality.

[Remainder of page intentionally left blank]

## Management of the District

### *Board of Directors*

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

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Jay Gilmore	President	9 years	2028
Craig Schnupp	Vice President	4 years	2028
Chris Hoegemeyer	Secretary	9 years	2026
Philip Turturro	Treasurer	2 years	2026
Jan Reed	Asst Secretary/Treasurer	9 years	2028

### *Consultants*

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

Land and improvements in the District are being appraised by the Kendall Appraisal District. The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Kendall Appraisal District Tax Assessor/Collector, Crystal Rivera, currently serves the District in this capacity under contract.

#### **Operator/Bookkeeper**

The District contracts with Bott & Douthitt to operate as Operator and Bookkeeper for the District.

#### **Engineer**

The District's consulting engineer is Cude Engineers, LLC (the "Engineer").

#### **Auditor**

The District's audited financial statements for the year ended August 31, 2023, were prepared by Maxwell Locke and Ritter LLP. See "APPENDIX A" for a copy of the District's year end August 31, 2023, audited financial statements.

#### **Financial Advisor**

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

#### **Bond Counsel and Disclosure Counsel**

The District has engaged Orrick, Herrington & Sutcliffe LLP ("Orrick") Austin, Texas as Bond Counsel and Disclosure Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

#### **General Counsel**

The District has engaged McLean & Howard LLP, Austin, Texas as the District's general counsel.

## Historical and Current Status of Development

There is currently one active developer operating within the District: CR/KWW Partnership, Ltd. (“CRKWW” or the “Developer”). The District is comprised of and CRKWW is developing the Springs of Cordillera Ranch, which is part of a larger master planned community called Cordillera Ranch, comprising 9,100 acres. Cordillera Ranch has been under development since 1997 by the same master developer, DH Investments (“DHI”), which is the manager of multiple different development entities throughout Cordillera Ranch, including the Developer. At the inception of Cordillera Ranch, a lack of regional water supply systems and sewer collection and treatment systems required that all lots in the early years be served by individual well and septic systems. In October 2001, DHI, through the initial development entity, CRL executed a water supply and wastewater service agreement (as more fully described and later defined herein as the “GBRA Agreement”) with GBRA to provide 1,000 acre-feet of potable water annually (which was subsequently amended to 1,500 acre-feet). Additionally, DHI obtained a permit from TCEQ for a wastewater treatment facility (operated by GBRA), which was subsequently constructed in Cordillera Ranch (but outside the District) to serve portions of Cordillera Ranch, including the District. At that time, however, there was not a municipal utility district in place in Cordillera Ranch. The initial water distribution and sewer collection / treatment facilities served areas of Cordillera Ranch outside of the District. In June 2014, the District was formed and subsequently these GBRA-operated water distribution and wastewater collection facilities were extended to the District.

Overall, nearly 1,500 lots have been developed and sold in all of Cordillera Ranch (including areas outside of the District). To date, nearly 50 miles of roads have been developed in the community (including 5 miles within the District) and all of the community is gated. This resort-style community sprawling 9,100 acres is complimented by an array of amenities available to all property owners, including those in the District, which includes 15+ miles of nature trails and hike and bike trails, over 100 acres of park lands, multiple creeks situated in parks, a spring-fed lake stocked with bass, a disc golf course and 5 miles of the Guadalupe River accessed by the community’s private river park on the banks of the Guadalupe River. This stretch of the Guadalupe River is available for kayaking and fishing. There are also two baseball fields, two basketball courts and two soccer fields (one of each of these is located in the Springs Sports park near the entrance of the District). All of the aforementioned amenities are owned and maintained by the Cordillera Ranch Property Owners Association (“POA”). There is one association for all of the community, so both District and non-district residents of Cordillera Ranch have access to the same POA amenities and pay the same annual POA assessments. In addition to the future planned BVFD fire station to be located in the District (no set timetable for it), Boerne ISD also purchased a 19-acre site at the entrance to the District for a potential future elementary school. Boerne ISD is considered one of the top school districts in the region with many families moving to Cordillera Ranch to be in the school system. The school district does not have a projected date for when they will commence construction on the elementary school in Cordillera Ranch.

In addition to the POA amenities, The Clubs of Cordillera Ranch (“the Clubs”) is a private club located in the community (but not within the District), which offers 7 clubs in one membership: 1) the Nicklaus Signature Golf Course, 2) Rod and Gun Club, 3) River Club, 4) Equestrian Club, 5) Spa and Athletic Club, 6) Social Club and 7) Tennis, Pickleball and Swim Club. These various clubs are anchored by a 40,000 square foot clubhouse that earned an honor as Most Beautiful Clubhouse in Texas by *Architectural Digest* and a perennial Top 5 golf course in Texas, per the *Dallas Morning News* golf rankings. The Rod and Gun Club includes a full sporting clays course and wobble trap, as well as outfitter staff that provide guided fishing trips, both on-property and to remote locations. The Equestrian Club includes fully staffed barn operations where Members can board horses or utilize one of the many Club-owned horses at the multiple arenas or on trails throughout the community. The private club membership purchase is a separate purchase from the price of the property. The current initiation deposit for a Full Golf Membership (which provides access to all seven clubs) is \$90,000 and a Ranch membership Initiation Fee (which isn’t refundable) is \$12,000 (provides access all Clubs except Golf). Buyers that purchase developer lots in excess of \$500,000 in the District have access to purchase a Club Membership and on average more than half of buyers in the District in the past four years have purchased a Full Golf Membership, and the rest of the buyers that don’t buy a Full Golf Membership typically buy a Ranch membership. Although this is a resort-style amenitized community, the majority of the nearly 1,000 homeowners throughout Cordillera Ranch are primary residence homes and, thus, the Club has a vibrant and active membership (totaling over 800 of all member types). The Club is owned and operated by DHI.

As of July 15, 2024, approximately 726 acres (of which 623 acres are residential lots) of the approximately 2,235.125 acres of land within the District have been developed and/or is currently platted or under construction upon what are known as the Springs of Cordillera Ranch Units 301A, 301B, 301C, 302, 302A, 303, 304 and 305. The Springs of

Cordillera Ranch Units 301A, 301B, 301C, 302 and 302A, 303 and 304 are fully developed with streets and utilities. Unit 305 streets and utilities are under construction and targeted to be substantially complete by September 1, 2024.

The community consists of custom homes wherein individuals purchase lots from the Developer and then select a custom homebuilder to build the home. There are six Preferred Builders in the District: Garner Homes, Todd Glowka Builder, Lifestyle by Stadler, Pasadera Builders, Burdick Custom Homes, and Paul Allen Custom Homes. These Preferred Builders occasionally purchase individual lots from the Developer and build and sell spec / inventory homes, but the primary sales are from individuals that purchase a developed lot, design a custom home with an architect and construct the home with a custom builder. Preferred Builders account for the majority of the homes built in the District; however, a property owner may build with a different builder provided that they meet the Design Guideline requirements and receive approval from the Architectural Review Committee. New homes by these homebuilders range from the \$1,500,000 to the \$3,000,000+ price range. These base prices do not include lot premiums or buyer requested upgrades.

As of July 15, 2024, 178 of the 233 lots developed or platted/ under construction (including Unit 305) have been sold (and closed), leaving 55 of the 233 lots owned by the Developer. When an individual purchases a lot from the Developer, there is no deadline to commence construction of the home. Many buyers begin design of their custom home within a 3 to 6 months of buying the lot and start construction within 3 to 6 months thereafter. Historically, on average in Cordillera Ranch, homes start construction approximately 12 to 24 months after lot closing and typically take approximately 18 months to complete. There are currently 36 completed homes and another 32 homes under construction in the developed units, which leaves 123 vacant *developed* lots (excluding Unit 305), of which 102 are sold/ closed to individuals and 21 are owned by the Developer).

Average lot prices in the community have increased from approximately \$194,000 in 2019 (with lots averaging approximately 1.5 acres) to an average of \$514,000 per lot in 2023 (average size 1.98 acres). For the 55 lots that the Developer has in inventory (including 34 under construction in Unit 305), the average lot price is \$542,000. Part of the reason for the sharp escalation in lot prices in recent years, aside from general market forces, is that the three most recent units offered have included a select number of Guadalupe River frontage and Panther Creek frontage home sites as well as numerous lots with 20+ mile panoramic views of the Hill Country. In fact, four lots have closed for over \$1,000,000 each in the past 18 months. Lot sales prices ranged from \$180,000 to \$1,000,000 in 2022 and from \$300,000 to \$1,700,000 million in 2023.

The chart on the following page provides details of the lots developed, sold, and homes under construction.

[Remainder of page intentionally left blank]

AS OF 7/15/24		LOTS			HOMES			VDL'S		
UNIT	ACRES	LOTS	SOLD LOTS <sup>(3)</sup>	DEVELOPER OWNED (INVENTORY)	UNDER CONSTRUCTION	COMPLETE	IN DESIGN REVIEW	VDL'S SOLD	VDL'S OWNED BY DEV	TOTAL VDL'S
<b>DEVELOPED RESIDENTIAL</b>										
301A	47.59	35	31	4	3	8	2	20	4	24
301B	63.71	31	30	1	5	9	2	16	1	17
301C	9.72	5	5	0	0	2		3	0	3
302	97.05	38	38	0	5	15	3	18	0	18
302A	18.71	10	10	0	2	2	0	6	0	6
303	41.01	15	14	1	4	0	1	10	1	11
304	186.35	57	42	15	13	0	2	29	15	44
<b>SUBTOTAL DEVELOPED RESIDENTIAL RESIDENTIAL IN DEVELOPMENT<sup>(1)</sup></b>	<b>464.14</b>	<b>191</b>	<b>170</b>	<b>21</b>	<b>32</b>	<b>36</b>	<b>10</b>	<b>102</b>	<b>21</b>	<b>123</b>
UNIT 305 <sup>(2)</sup>	158.60	42	8	34	1	0	3	0		0
<b>SUBTOTAL RESIDENTIAL IN DEVELOPMENT</b>	<b>158.60</b>	<b>42</b>	<b>8</b>	<b>34</b>	<b>1</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL RESIDENTIAL: DEVELOPED/ UNDER DEVELOPMENT</b>	<b>622.74</b>	<b>233</b>	<b>178</b>	<b>55</b>	<b>33</b>	<b>36</b>	<b>13</b>	<b>102</b>	<b>21</b>	<b>123</b>
OTHER CURRENT USES:										
UTILITY SITE	1.15									
SPRINGS SPORTS PARK	4.58									
BERGHEIM FIRE DEPT. SITE	2.00									
BOERNE ISD SCHOOL SITE	19.41									
OPEN SPACES AND NATURE AREAS	76.27									
<b>SUBTOTAL OTHER CURRENT USES</b>	<b>103.40</b>									
<b>TOTAL CURRENT DEVELOPMENT AREAS</b>	<b>726.14</b>	<b>233</b>	<b>178</b>	<b>55</b>	<b>33</b>	<b>36</b>	<b>13</b>	<b>102</b>	<b>21</b>	<b>123</b>
FUTURE DEVELOPMENT										
FUTURE RESIDENTIAL AREAS	1,158.09	580	0	0	0	0	0	0	0	0
FUTURE OPEN SPACE, DRAINAGE AND MISC.	350.90	0	0	0	0	0	0	0	0	0
<b>SUBTOTAL FUTURE DEVELOPMENT AREAS</b>	<b>1,508.99</b>	<b>580</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL DISTRICT AREA</b>	<b>2,235.13</b>	<b>813</b>	<b>178</b>	<b>55</b>	<b>33</b>	<b>36</b>	<b>13</b>	<b>102</b>	<b>21</b>	<b>123</b>

(1) STREETS AND UTILITIES ARE CURRENTLY UNDER DEVELOPMENT. PAVING COMMENCED ON JULY 15, 2024 AND FINAL COMPLETION OF STREETS AND UTILITIES IS SCHEDULED FOR SEPTEMBER 2024.

(2) LOTS IN THE COMMUNITY ARE SOLD / CLOSED ONCE PLAT IS RECORDED; THUS SOME PRE-SALE LOT CLOSINGS OCCUR PRIOR TO COMPLETION OF CONSTRUCTION. DEVELOPER HAS FISCAL SURETY POSTED WITH KENDALL COUNTY FOR COST TO COMPLETION IMPROVEMENTS.

(3) SOLD LOTS ARE CLOSED (NOT UNDER CONTRACT).

VDL'S = "Vacant Developed Lots"

[Remainder of page intentionally left blank]

## **Future Development**

The Developer has approximately 1,509 acres of development remaining in the District, after completion of Unit 305. The plan for this area is to continue the development of single-family residential lots in a low-density manner, which is forecasted to result in 580 additional home sites; however, this note should not be considered a limitation on the number of future lots. Based upon the development rights the Developer has for this property, along with the GBRA water supply agreement, the Developer has development rights to develop over 1,200 additional lots on the future development land but that is not the current strategy as the community has thrived on a low-density master plan that maximizes the natural land features, open space, views and landscape. The general plan is to continue developing lots in a 2 to 3-acre lot density ratio.

## **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 assets, such as cash and the utility system, with the water and wastewater systems of the district(s) with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation.

## **Alteration of Boundaries**

In certain circumstances, under Texas law the District may alter its boundaries to: (1) upon satisfying certain conditions, annex additional territory; and (2) exclude land subject to taxation within the District that is not served by District facilities if the District simultaneously annexes land of equal acreage and value that may be practicably served by District facilities. No representation is made concerning the likelihood that the District would affect any additional changes in its boundaries.

## **DEVELOPERS**

### **Role of the Developer**

In general, the activities of a developer in a municipal utility district, such as the District, include, among other activities, purchasing land within the future district, petitioning for creation of the district, designing the development, defining a marketing program, planning and scheduling building schedules, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases water, sewer, and drainage facilities in the utility district) pursuant to the rules of the TCEQ, and selling improved lots or commercial reserves to builders, other developers or third parties. Ordinarily, the developer pays one hundred percent (100%) of the costs of paving and amenity design and construction and, in some cases, up to 30% of the costs of construction of the water supply and distribution, wastewater collection, roads and drainage facilities. While a landowner or developer is required by the TCEQ to pave streets and pay for its allocable portion of the costs of utilities to be financed by the district through a specific bond issue, if any, a developer is under no obligation to a district to undertake development activities with respect to other property it owns within the district. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of the developer to perform such activities in development of the property within the utility district may have a profound effect on the security for the bonds issued by a district.

### **The Developer**

CRKWW Partnership, Ltd. is the only active developer of streets and utilities within the District. CRKWW purchased the property from KWW Ranches, Ltd. CRKWW purchased the portion of the District that is subject to the Bonds with a land seller note payable to KWW Ranches, Ltd., which is structured to be paid off as developed lots are sold. All of the seller notes payable have been paid off for the land area subject to these Bonds. There is additional land in the District that has been acquired by CRKWW (378 acres) that is in predevelopment phase and still has an outstanding note payable, but the note is not secured by any land in the developed phases (areas included in the Bond issue). There is no remaining debt secured by land in the completed phases of development which is the subject of the Bond issuance.



## **Agricultural Waiver**

As discussed in the section titled “TAX PROCEDURES” herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation. The Developer has executed a Waiver of Special Appraisal, waiving its right to claim any agriculture or open space exemptions, or any other type of exemption or valuation, for the property it owns within the District that would reduce the assessed value of such land below its market value for purposes of ad valorem taxation by the District. Such waiver is binding for a period of thirty (30) years.

## **Utility Construction Agreement**

The District is also a party to that certain Street and Utility Construction Agreement between the District and CRKWW, dated September 17, 2015 (the “UCA”). The UCA outlines the conditions under which the District will issue bonds to reimburse the Developer for qualified water, wastewater and drainage facilities within and outside the District. Under the terms of the agreement, the District has agreed to repay the cost of facilities through a series of bond sales over time. The District’s obligation to issue bonds and reimburse the Developer for funds advanced for such facilities is subject to various conditions including the approval of such facilities and bonds by the TCEQ and the Texas Attorney General, and the recommendation of the District’s financial advisor that the sale of the bonds is feasible and prudent.

## **Facilities Acquisition and Service Agreement**

The District, the Developer, GBRA and CRL are parties to the Facilities Acquisition and Service Agreement. In general terms, the Facilities Acquisition and Service Agreement provides for the Developer to fund and construct the water and wastewater facilities required for the provision of retail water and wastewater services by GBRA to customers within the District. The Facilities Acquisition and Service Agreement obligates the Developer to convey the completed facilities to the District, which facilities will, simultaneously with the receipt thereof, be conveyed to GBRA to operate and maintain and to be used to provide retail water and wastewater service to customers within the District. The District is obligated to reimburse Developer for all eligible costs and expenses funded by the Developer under the Facilities Acquisition and Service Agreement in accordance with the terms and conditions of the UCA and pursuant to the authority set forth in Section 54.2351 of the Texas Water Code.

## **THE UTILITY SYSTEM**

### **General**

The, purchase, acquisition and construction of water, wastewater, and drainage facilities to be financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have jurisdiction over the District.

Construction and operation of the District’s waterworks, wastewater, and drainage facilities as it exists or as it may be expanded from time to time is subject to the regulatory jurisdiction of federal and state authorities including but not limited to, the Environmental Protection Agency and the TCEQ.

### **Water, Wastewater and Drainage System**

*Water Supply Source...* Pursuant to the Agreement between CRL and GBRA (the “GBRA Agreement”) dated October 11, 2001, as amended by the First Amendment to the GBRA Agreement dated February 15, 2013 (the “First Amendment”), as partially assigned to the Developer and the District, portions of the Development, including the land within the District, receives retail water service from GBRA. The potable water furnished by GBRA for retail water service within the District is treated surface water supplied by GBRA from Canyon Reservoir through GBRA’s Western Canyon Regional Treated Water Supply Project. CRL and the Developer executed a Partial Assignment of Committed Water Rights dated January 10, 2011, which assigned 500 acre-feet of CRL’s water rights to the Developer and the Developer and District executed a Partial Assignment of Committed Water rights dated October 11, 2023, which assigned 250 acre-feet of the Developer’s 500 acre-feet to the District. Pursuant to the GBRA Agreement, Cordillera is required to pay water reservation fees.

**Water Supply Facilities Inventory...**GBRA's Western Canyon Regional Treated Water Supply Project includes facilities for diversion of raw water from Canyon Reservoir and conveyance of raw water to a 10 million gallons per day (MGD) water treatment plant, and facilities to convey treated potable water from the water treatment plant to service areas in portions of Comal, Kendall, and Bexar Counties, including the Cordillera Ranch and the District. Delivery for Cordillera includes a 385,761-gallon storage tank constructed by CRL in the western portion of Cordillera Ranch, outside of the District boundary. The Developer has also constructed water distribution lines from the storage tanks to the residential subdivisions and to serve future phases of the District. Additionally, the Developer has commenced construction of a 2<sup>nd</sup> 385,761-gallon storage tank scheduled to be completed in the second quarter of 2025. Both of these storage facilities partially serve the District and other areas of Cordillera Ranch outside of the District (but they do not serve any other developments outside of Cordillera Ranch).

Under the GBRA Agreement, as amended, GBRA has committed 1,500 acre-feet per annum of water supply to the Cordillera Ranch development, including the lands within the District. 250 acre-feet can serve 300+ homes, which is more than adequate to serve the phases in the District included for reimbursement with proceeds of the Bonds. Any lots developed within the District beyond the capacity of the 250 acre-feet of water will be served by individual, private water wells. Water wells in the District are on the Lower Trinity aquifer.

**Wastewater Treatment...**Pursuant to the GBRA Agreement, as amended, the Development, including the District, receives retail wastewater service from GBRA. The wastewater treatment plant was constructed by the Developer to serve customers within the Development including the District boundaries. The wastewater facilities are conveyed to the District upon completion, which will in turn convey such facilities to GBRA.

The first phase of wastewater treatment plant is currently capable of treating 64,000 gpd, which is sufficient for 213 ESFCs based on a flow factor of 300 gpd per ESFC. The District's share of the wastewater treatment capacity is for 119 ESFCs. The second phase of the wastewater treatment plant capacity expansion to 192,000 gpd is currently under construction and scheduled for completion in the second quarter of 2024.

**Drainage System...**The storm drainage system that serves the District consists of curb and gutter streets to an underground storm sewer collection system, drainage channel water quality ponds, and drain into tributaries of Panther Creek.

**100-year Flood Plain...**According to U.S.G.S. topographic maps and Federal Insurance Administration maps, the District is hilly terrain with elevations ranging from 1,030 to 1,260 feet above mean sea level. The land within the District slopes generally from 0% to 40%. Approximately 400 acres of the District lies within the FEMA 100-year flood plain. This acreage has been planned as open space and will not be used for development.

## **DEBT AND FINANCIAL INFORMATION**

### **Future Debt**

After the issuance of the Bonds, \$74,750,000 of Unlimited Tax Utility System Bonds will remain authorized but unissued. To date, following issuance of the Bonds, there may be an estimated \$7,640,000 owed to CRKWW on current utility system development. In the opinion of the District's Engineer, the \$74,750,000 authorized but unissued bonds should be sufficient to fully reimburse and provide utility service to the remaining undeveloped but undeveloped acreage.

[Remainder of page intentionally left blank]

## GENERAL FUND OPERATING HISTORY

The Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Surplus revenues, if any, of the District's general fund are not pledged to the payment of the Bonds but are available for any lawful purpose, including payment of debt service on the Bonds, at the discretion and upon action of the Board. As GBRA operates the water or wastewater system serving the land within the District, it is not anticipated that any significant operating revenues will be available for the payment of debt service on the Bonds. The following summary of the District's governmental and proprietary funds shows net revenues in the District's total governmental funds as a result of the levy and collection of a debt service and maintenance tax. In accordance with the TCEQ recommended procedures, such figures do not include governmental fund depreciation expense. See "APPENDIX A – Audited Financial Statement".

	<u>05/31/24(a)</u>	<u>Fiscal Year End</u>		<u>08/31/21 (a)</u>	<u>08/31/20 (a)</u>
	<u>08/31/23</u>	<u>08/31/22 (a)</u>			
<b><u>REVENUES</u></b>					
Property Taxes including					
Penalties	99,562	303,847	129,897	62,485	\$38,320
Interest and Other	<u>19,347</u>	<u>16,887</u>	<u>830</u>	<u>105</u>	<u>58</u>
<b>TOTAL REVENUES</b>	<b><u>\$118,909</u></b>	<b><u>\$320,734</u></b>	<b><u>\$130,727</u></b>	<b><u>\$62,590</u></b>	<b><u>\$38,378</u></b>
<b><u>EXPENDITURES</u></b>					
Service Operations:					
Directors Fees, Including					
Payroll Taxes	\$ 3,094	\$ 1,453	\$ 2,584	\$ 2,099	\$3,552
Legal Fees	14,142	12,207	21,873	10,518	17,648
Bookkeeping Fees	9,304	2,700	3,400	3,050	2,350
Engineering Fees	4,213	7,234	4,792	0	0
Financial Advisor	577	2,500	2,500	0	0
Insurance	1,725	1,725	1,725	1,725	0
Tax Appraisal & Collection Fees	724	1,781	1,312	827	629
Public Notice	0	1,396	353	630	1,562
Other	<u>10,330</u>	<u>602</u>	<u>724</u>	<u>474</u>	<u>610</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$44,109</u></b>	<b><u>\$289,136</u></b>	<b><u>\$39,263</u></b>	<b><u>\$19,323</u></b>	<b><u>\$26,351</u></b>
<b>EXCESS (DEFICIT) OF REV &amp; OTHER SOURCES OVER (UNDER) EXPEND.</b>	<b>\$74,800</b>	<b>\$289,136</b>	<b>\$91,464</b>	<b>\$43,267</b>	<b>\$12,027</b>
<b>FUND BALANCE (DEFICIT):</b>					
Beginning of Year	<b><u>\$461,828</u></b>	<b><u>\$172,692</u></b>	<b><u>\$81,228</u></b>	<b><u>\$37,961</u></b>	<b><u>\$25,934</u></b>
End of Year	<b><u>\$536,628</u></b>	<b><u>\$461,828</u></b>	<b><u>\$172,692</u></b>	<b><u>\$81,228</u></b>	<b><u>\$37,961</u></b>

(a) Unaudited.

[Remainder of page intentionally left blank.]

**FINANCIAL STATEMENT**  
(Unaudited as of July 19, 2024)

**Assessed Value**

2023 Assessed Valuation (100% of estimated market value).....	\$65,214,719 (a)
2024 Assessed Valuation at (100% of estimated market value as of July 19, 2024).....	\$83,638,947 (b)
Gross Debt Outstanding.....	\$6,600,000 (c)
Debt Service Fund Balance (As of May 31, 2024).....	\$325,527 (d)
Ratio of Gross Debt to 2023 Assessed Valuation.....	10.12%
Ratio of Gross Debt to 2024 Assessed Valuation as of July 19, 2024.....	7.89%

Estimated as of July 2024 Population: 189 (e)

- (a) 2023 Certified Taxable Assessed Value within the District as provided by the Kendall Central Appraisal District (“CAD”). See “TAXING PROCEDURES”.
- (b) Provided by the Kendall Appraisal District for informational purposes only, this amount is an estimate of the value of all taxable property located within the District as of July 19, 2024 and includes an estimate of values resulting from the construction of taxable improvements from January 1, 2023, through December 31, 2023. Moreover, the ultimate Assessed Valuation of any improvements added from January 1, 2023, through December 31, 2023, which will be placed on the District’s 2024 tax roll, may vary from such estimate once the Appraisal Review Board certifies the value thereof for January 1, 2024.
- (c) After issuance of the Bonds. See “DEBT SERVICE REQUIREMENTS”.
- (d) Unaudited. Included in the sale of Bonds is approximately eighteen months of capitalized interest cost estimated at 5.50% of the principal amount of the Bonds (est. \$544,500) which will be deposited to the Interest and Sinking Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Interest and Sinking Fund.
- (e) Based on 3.5 residents per active single-family connection.

**Unlimited Tax Bonds Authorized but Unissued**

<u>Date Authorization</u>	<u>Purpose</u>	<u>Authorized</u>	<u>Issued to Date</u>	<u>Unissued</u>
05/07/2016	Water, Wastewater and Drainage	<u>\$81,350,000</u>	<u>\$6,600,000</u> (a)	<u>\$74,750,000</u>
<b>Total</b>		<b>\$81,350,000</b>	<b>\$6,600,000</b> (a)	<b>\$74,750,000</b>

(a) Including the Bonds. Preliminary; subject to change.

[Remainder of page intentionally left blank]

**Outstanding Bonds**

<u>Dated Date</u>	<u>Series</u>	<u>Purpose</u>	<u>Original Principal Amount</u>	<u>Principal Amount Outstanding 9/5/2024</u>
6/1/2024	2024	Water, Sewer & Drainage	\$ <u>6,600,000</u>	\$ <u>6,600,000</u> (a)
			\$ 6,600,000	\$ 6,600,000

(a) The Bonds. Preliminary; subject to change.

**Cash and Investment Balances (Unaudited as of May 31, 2024)**

Operating Fund	\$536,628
Debt Service Fund	\$325,527 (a)

(a) Included in the sale of Bonds is approximately eighteen months of capitalized interest cost estimated at 5.50% of the principal amount of the Bonds (est. \$544,500) and will be deposited to the Interest and Sinking Fund upon closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Interest and Sinking Fund.

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

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

**Current Investments**

The District’s funds are currently invested in various Bank Money Market Accounts and Bank CD’s in accordance with the Public Funds Investment Act. This investment portfolio is generally representative of the District's investment practices although the District has in the past or may in the future also invest in authorized Government Securities. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements. The District currently marks its investments to market price monthly.

[Remainder of page intentionally left blank]

## Estimated Overlapping Debt Statement

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

<u>Taxing Body</u>	<u>Net Debt</u>		<u>% of Overlpg. Net Debt</u>	<u>Amount of Overlpg. Net Debt</u>
	<u>Amount</u>	<u>As of</u>		
Kendall County	\$37,065,000	5/1/2024	0.60%	\$ 222,390
Boerne ISD	\$411,994,896	5/1/2024	0.54%	\$ 2,224,772
<b>TOTAL ESTIMATED OVERLAPPING NET DEBT</b>				<b>\$2,447,162</b>
The District (a)		9/5/2024	100.00%	<u>\$6,600,000</u>
<b>TOTAL ESTIMATED DIRECT AND OVERLAPPING NET DEBT</b>				<b><u>\$9,047,162</u></b>
Ratio of Direct & Overlapping Net Debt to 2023 Assessed Valuation				13.87%
Ratio of Direct & Overlapping Net Debt to 2024 Assessed Valuation as of July 19, 2024				10.82%

(a) After issuance of the Bonds. Preliminary; subject to change.

## Overlapping Taxes for 2023

<u>Overlapping Entity</u>	<u>2023 Tax Rate Per \$100 Assessed Valuation</u>	<u>Average Tax Bill (a)</u>
Kendall County	\$0.3827	\$3,724.72
Boerne Independent School District	0.9932	9,666.55
Cow Creek Groundwater	0.0500	486.64
The District	<u>0.6500</u>	<u>6,326.27</u>
<b>Total</b>	<b><u>\$2.0759</u></b>	<b><u>\$20,204.18</u></b>

(a) Based upon the 2023 average single-family home value of \$973,273.

[Remainder of page intentionally left blank]

**PRELIMINARY DEBT SERVICE REQUIREMENTS**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**

**\$6,600,000**

**Unlimited Tax Utility System Bonds, Series 2024**

**Issue Dated: September 5, 2024**

**First Interest Payment Due: February 1, 2025**

Year Ending 12/31	Series 2024				Total Debt Service Requirement
	Principal (Due 08/01)	Interest*		Total	
		(Due 02/01)	(Due 08/01)		
2024		-	-	-	-
2025		147,217	181,500	328,717	328,717
2026	215,000	181,500	181,500	363,000	578,000
2027	200,000	175,588	175,588	351,175	551,175
2028	210,000	170,088	170,088	340,175	550,175
2029	220,000	164,313	164,313	328,625	548,625
2030	235,000	158,263	158,263	316,525	551,525
2031	245,000	151,800	151,800	303,600	548,600
2032	260,000	145,063	145,063	290,125	550,125
2033	275,000	137,913	137,913	275,825	550,825
2034	290,000	130,350	130,350	260,700	550,700
2035	305,000	122,375	122,375	244,750	549,750
2036	320,000	113,988	113,988	227,975	547,975
2037	340,000	105,188	105,188	210,375	550,375
2038	360,000	95,838	95,838	191,675	551,675
2039	375,000	85,938	85,938	171,875	546,875
2040	400,000	75,625	75,625	151,250	551,250
2041	420,000	64,625	64,625	129,250	549,250
2042	445,000	53,075	53,075	106,150	551,150
2043	470,000	40,838	40,838	81,675	551,675
2044	495,000	27,913	27,913	55,825	550,825
2045	520,000	14,300	14,300	28,600	548,600
	<u>\$6,600,000</u>	<u>\$2,361,792</u>	<u>\$2,396,075</u>	<u>\$4,757,867</u>	<u>\$11,357,867</u>

\*Interest rate of 5.50% was used for illustrative purposes only.

**TAX DATA**

**Classification of Assessed Valuation (a)**

<u>Type Property</u>	<b>2024</b>		<b>2023</b>		<b>2022</b>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Single Family Residence	\$ 43,916,235	52.51	\$ 29,341,414	45.00	\$ 15,489,469	32.63
Vacant Lots and Land Tracts	27,960,312	33.43	29,158,495	44.72	24,432,530	51.45
Qualified Ag Land	156,480	0.19	106,770	0.16	109,190	0.23
Improvements on						
Qualified Ag Land	2,830	0.00	2,830	0.00	2,280	0.00
Non-Qualified	1,132,950	1.35	869,550	1.33	81,810	0.17
Commercial Land & Imp	200	0.00	200	0.00	200	0.00
Gas Distribution System	100	0.00	0	0.00	0	0.00
L1	47,400	0.06	106,060	0.16	66,440	0.14
O1	10,422,440	12.46	5,629,400	8.63	7,303,840	15.38
Totally Exempt Property	<u>-0-</u>	<u>0.00</u>	<u>-0-</u>	<u>0.00</u>	<u>0</u>	<u>0.00</u>
Total	<u>\$ 83,638,947</u>	<u>100.00%</u>	<u>\$ 65,214,719</u>	<u>100.00%</u>	<u>\$ 47,485,759</u>	<u>100.00%</u>

(a) Reflects classification of assessed valuation as supplied by the Kendall Appraisal District ("CAD") prior to adjustments or exemptions. Such value may differ from the original certified assessed valuation, and any supplements or adjustments thereto, as supplied by CAD.

**Tax Collections**

The following statement of tax collections reflects the historical tax collection experience of the District. Such summary has been prepared for inclusion herein based upon information from District audits and records of the District Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information. See "Classification of Assessed Valuation" above.

<u>Tax Year</u>	<u>Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>Current</u>		<u>Total (a)</u>		<u>Year Ending</u>
				<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
2019 (b)	5,867,212	0.6500	38,137	38,132	99.99	38,137	100.00	08/31/20
2020	9,387,017	0.6500	61,016	61,016	100.00	61,016	100.00	08/31/21
2021	18,166,969	0.6500	118,340	118,085	99.78	118,340	100.00	08/31/22
2022	37,066,719	0.6500	303,463	300,769	99.11	303,463	100.00	08/31/23
2023	65,214,719	0.6500	422,782	411,020	96.96	414,438	98.03	08/31/24 (c)

(a) Collections as of July 29, 2024.

(b) 2019 was the first year the District levied a tax rate.

(c) The tax rate is voted on and levied in September and the tax bills go out in October of each year.

**District Tax Rates**

<u>Tax Rate Per \$100 A.V.</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Debt Service	\$0.5000	\$0.0000	\$0.0000	\$0.0000	\$0.0000
Maintenance	<u>0.1500</u>	<u>0.6500</u>	<u>0.6500</u>	<u>0.6500</u>	<u>0.6500</u>
Total	\$0.6500	\$0.6500	\$0.6500	\$0.6500	\$0.6500

**Tax Rate Limitation**

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

[Remainder of page intentionally left blank]



**Maintenance Tax**

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing and operating of the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes, which the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds which may be issued in the future. At an election held within the District on May 7, 2016, voters of the District authorized the levy of an unlimited maximum for maintenance tax. As shown above under "District Tax Rates," the District levied a maintenance and operations tax of \$0.15 per \$100 assessed valuation for tax year 2023.

**Top Ten Taxpayers**

The following list of principal taxpayers was provided by Kendall Appraisal District based on the 2022-2024 tax rolls of the District, which reflect ownership as of January 1, of each year shown.

<b>Taxpayer</b>	<b>Type of Property</b>	<b>2024</b>	<b>2023</b>	<b>2022</b>
CR/KWW Partnership Ltd.	Real and Improved	\$9,340,060	\$2,629,180	\$3,270,040
Residential	Real and Improved	1,734,020	1,732,750	1,534,220
Residential	Real and Improved	1,732,750	1,519,360	1,530,660
Residential	Real and Improved	1,647,620	1,496,530	1,238,080
Residential	Real and Improved	1,637,980	1,259,790	1,141,880
Residential	Real and Improved	1,496,530	1,214,400	1,116,590
Residential	Real and Improved	1,441,280	1,176,950	971,960
Residential	Real and Improved	1,385,769	1,166,040	913,770
Residential	Real and Improved	1,369,749	1,122,820	893,550
Residential	Real and Improved	1,333,400	(a)	(a)
Garner & Schnupp Inc.	Real and Improved	(a)	1,758,190	1,656,180
<b>Total</b>		<b><u>\$23,119,158</u></b>	<b><u>\$15,076,010</u></b>	<b><u>\$14,266,930</u></b>

<b>Percent of Assessed Valuation</b>	27.64%	23.12%	21.88%
--------------------------------------	--------	--------	--------

(a) Not a top ten taxpayer for respective year.

**Tax Adequacy for Debt Service**

The calculations shown below are solely for purposes of illustration only and are based on the certified assessed value for 2023 and the 2024 Assessed Valuation as of July 19, 2024 and utilize tax rates adequate to service the District's total projected debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - Impact on District Tax Rates."

Projected Average Annual Debt Service Requirements including the Bonds (2025 through 2045) .....	\$516,267
\$0.830 Tax Rate on 2023 Assessed Valuation of \$65,214,719 @ 95% collections produces .....	\$514,218
\$0.6500 Tax Rate on the 2024 Assessed Valuation as of July 19, 2024 of \$83,638,947 @ 95% collections produces .....	\$516,471
Projected Maximum Annual Debt Service Requirements including the Bonds (2026) .....	\$578,000
\$0.9300 Tax Rate on 2023 Assessed Valuation of \$65,214,719 @ 95% collections produces .....	\$576,172
\$0.7300 Tax Rate on the 2024 Assessed Valuation as of July 19, 2024 of \$83,638,947 @ 95% collections produces .....	\$580,036

## 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 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 Payment." Under Texas law, the Board is also authorized to levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for firefighting purposes for the payment of certain contractual obligations if authorized by its voters. See "TAX DATA - Tax Rate Limitation".

### Valuation of Property for Taxation

The Texas Tax Code (the "Property Tax Code") provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the District is the responsibility of the Appraisal District. Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified as both agricultural and open-space land.

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

### State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty.

### Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) a general residential homestead exemption of up to 20% of the market value of all homesteads (but not less than \$5,000) and (2) an additional special homestead exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The District currently provides a \$75,000 over 65 exemption to its residents.

## **Personal Property**

Tangible personal property (furniture, machinery, supplies, inventories, etc.) used in the “production of income” is taxed based on the property’s market value. Taxable personal property includes income-producing equipment and inventory. Intangibles such as goodwill, accounts receivable, and proprietary processes are not taxable. Tangible personal property not held or used for production of income, such as household goods, automobiles or light trucks, and boats, is exempt from ad valorem taxation unless the governing body of a taxing unit elects to tax such property.

## **Freeport Exemptions**

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication (“Freeport Property”) are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days (“Goods-in-Transit”), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer’s retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. The District has taken no action to allow taxation of Goods-in-Transit, and accordingly, the exemption is available within the District.

## **Other Exempt Property**

Other major categories of exempt property include property owned by the State or its political subdivisions if used for public purposes, property exempt by federal law, property used for pollution control, farm products owned by producers, property of nonprofit corporations used for scientific research or educational activities benefitting a college or university, designated historic sites, solar and wind-powered energy devices, and certain classes of intangible personal property.

## **Tax Abatement Agreements**

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. The District has not entered into any tax abatement agreements and Collin County has not designated any of the area within the District as a reinvestment zone.

## **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 of 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 the CAD 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 value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

## **Rollback of Operation and Maintenance Tax Rate**

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

below. The impact each classification has on the ability of a district to increase its total tax rate is described for each classification below.

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

***Developed Districts*** . . . Developed Districts that adopt a total tax rate in excess of 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, in the district subject to certain homestead exemptions and any unused increments authorized by the Tax Code for the preceding tax year, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

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

***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 on an annual basis, at the time a district sets its tax rate. For purposes of setting its 2023 tax rate, the District was classified as a Developing District. 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.

## **Levy and Collection of Taxes**

The District is responsible for the levy and collection of its taxes unless it elects to transfer the collection functions to another governmental entity. Each year the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. Taxes are due or when billed, and become delinquent after January 31 of the following year. However, a person who is 65 years of age or older or disabled is entitled by law to pay current taxes on his residential homestead in installments or to receive a deferred or abatement of delinquent taxes without penalty during the time he owns or occupies his property as his residential homestead. 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. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. In addition, if the District engages an attorney for the collection of delinquent taxes, the Board may impose a further penalty not to exceed 20% on all taxes, penalty and interest unpaid on July 1. The Property Tax Code also makes provision for the split payment of taxes, installment payments for certain qualifying individuals, discounts for early payment and the postponement of the delinquency date of taxes and the waiver of penalty and interest under certain circumstances.

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

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year 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 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 or by bankruptcy proceeding which restrict the collection of taxpayer debts. A taxpayer may redeem property within two years for residential and agricultural use property and within six months for all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "INVESTMENT CONSIDERATIONS — Tax Collection Limitations and Foreclosure Remedies."

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents enforcement of liens for post-petition taxes from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

#### **Delinquent Tax Payments for Disaster Areas**

Taxpayers for homesteads and small businesses damaged as a direct result of a disaster may pay property taxes on the property in four equal quarterly installments by notice to the District before the delinquency date without penalty or interest. Installments must be completed within six months of the delinquency date, which normally is February 1 but could be delayed because of delayed valuations. Quarterly payments by a substantial number of owners could adversely affect a District's collection of taxes for debt services in the year following a disaster.

### **LEGAL MATTERS**

#### **Legal Proceedings**

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District and based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds; the legal opinion of Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income of the holders for federal tax purposes under existing law, and the Bonds are not "private activity bonds" under the Internal Revenue Code of 1986, as amended (the "Code") and interest on the Bonds will not be subject to the alternative minimum tax on individuals and corporations, except as described below in the discussion regarding the adjusted current earnings adjustments for corporations.

Bond Counsel has reviewed the information appearing in this Official Statement under the caption "THE BONDS" (except for the last paragraph under "Issuance of Additional Debt"), "THE DISTRICT – Management of the District – Consultants – Bond Counsel and Disclosure Counsel," "TAXING PROCEDURES," "LEGAL MATTERS" (first paragraph and the first sentence of the second paragraph only) "TAX MATTERS", and "CONTINUING DISCLOSURE OF INFORMATION" (except for the subcaption "Compliance with Prior Undertakings") solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. General Counsel has reviewed the information under "THE DISTRICT – "General," " - Location," " - Management of the District – Consultants – General Counsel," " - Consolidation" and " - Alteration of Boundaries," solely to determine whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel and General Counsel have not, however, independently verified any of the factual information contained in this Official Statement nor has either conducted an investigation of the affairs of the District or the Developer for the purpose of

passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's or General Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Orrick, Herrington & Sutcliffe LLP, Austin, Texas, serves as Bond Counsel and Disclosure Counsel to the District. McLean & Howard LLP, Austin, Texas serves as General Counsel to the District. The legal fees paid to Bond Counsel and Disclosure Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds. General Counsel will provide certain services in association with Bond Counsel in connection with the issuance 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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that no arbitrage certificate may arise out of the transaction.

### **No Material Adverse Change**

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

### **No-Litigation Certificate**

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge 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.

## **TAX MATTERS**

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of the Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Bonds. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service (“IRS”) or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel’s engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or the Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or the Beneficial Owners to incur significant expense.

Payments on the Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not

subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

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

Section 265(a) of the Code provides, in general, that interest expense incurred to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. Section 265(b) of the Code limits the portion of interest a financial institution can deduct when it owns obligations yielding tax exempt interest. It also provides an exception to this rule for interest expense allocable to tax-exempt obligations (other than private activity bonds) which are designated by an issuer, such as the District, as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and will or has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions that purchase the Bonds will not be subject to the limitation of interest expense allocable to interest on the Bonds under section 265(b) of the Code; however, 20% of the interest expense incurred by a financial institution which is allocable to the interest on the Bonds will not be deductible pursuant to Section 291 of the Code.

### **CONTINUING DISCLOSURE OF INFORMATION**

In the Bond Order, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") pursuant to its Electronic Municipal Market Access System ("EMMA"). This information will be available to securities brokers and others through the MSRB at [www.emma.mrsb.org](http://www.emma.mrsb.org).

#### **Annual Reports**

The District will provide certain updated financial information to certain information to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in the tables in this Official Statement under the headings "FINANCIAL STATEMENT" (except for "Estimated Overlapping Debt Statement" and "Overlapping Taxes for 2023") and "TAX DATA". The District will update and provide this information within six months after the end of each fiscal year. The updated information will include audited financial statements, if and when audited financial statements become available. If audited financial statements are not available within twelve (12) months after any such fiscal year end, the District will file unaudited financial statements within such twelve (12) month period and file audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District 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 District's current fiscal year end is August 31. Accordingly, it must provide updated information by February 28, in each year (commencing in 2025 for information related to the fiscal year ending in 2024) unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB.

#### **Event Notices**

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity



providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the "Rule"; (13) consummation of a merger, consolidation, or acquisition involving the District, or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of financial obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; (16) default, event of acceleration, termination event, modification of terms, or other similar events under terms of a financial obligation of the District, any of which reflect financial difficulties. In addition, the District will provide the MSRB, in a timely manner, notice of any failure by the District to provide the required annual financial information described above under "Annual Reports" and any notices of material events in accordance with this section. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or credit enhancement, unless a municipal bond insurance policy is obtained for credit enhancement.

For purposes of the event numbered (12) above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the District in a proceeding under a U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement of liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the District. For the purposes of the events described in clauses (15) and (16) above, the term "financial obligation" is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities and Exchange Act of 1934, as amended), as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule..

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

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at [www.emma.msrb.org](http://www.emma.msrb.org).

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

The District has not previously entered into a continuing disclosure agreement pursuant to the Rule.

#### **FINANCIAL ADVISOR**

The Official Statement was compiled and edited under the supervision of SAMCO Capital Markets, Inc. (the "Financial Advisor"), which firm was employed in 2008 as Financial Advisor to the District. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

#### **OFFICIAL STATEMENT**

##### **Preparation**

The 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 other sources. All of these sources are believed to be reliable, but no guarantee is made by the District as to the accuracy or completeness of the information derived from sources other than the District, and its inclusion herein is not to be construed as a representation on the part of the District except as described below under "Certification of Official Statement." Furthermore, there is no guarantee that any of the assumptions or estimates contained herein will be realized. The

summaries of the agreements, reports, statutes, resolutions, engineering, and other related information set forth in this Official Statement are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents for further information.

## **Experts**

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

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

*Appraisal District:* The information contained in the Official Statement relating to the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "FINANCIAL STATEMENT" and "TAX DATA" has been provided by the Kendall Appraisal District, in reliance upon the authority as experts in appraising and tax assessing.

*Tax Assessor/Collector:* The information contained in this Official Statement relating to tax collection rates has been provided by Crystal Rivera in reliance upon her authority as an expert in the field of tax assessing and collecting.

*Auditor:* The information contained in Appendix A in this official Statement has been provided by Maxwell Locke and Ritter LLP, the District's current auditor.

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

If, subsequent to the date of the Official Statement to and including the date the Initial Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Initial Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Initial Purchaser, unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds as described below. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Initial Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Initial Purchaser provides written notice the District that less than all the Bonds have been sold to ultimate customers on or before such date, in which case the District's obligations hereunder will extend for an additional period of time as required by law (but not more than 90 days after the date the District delivers the Bonds).

## **Certification as to Official Statement**

The District, acting by and through its Board in its official capacity, in reliance upon the experts listed above, hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, 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.

## **Official Statement "Deemed Final"**

For purposes of compliance with the Rule, this document, as the same may be supplemented or corrected by the District from time-to-time, may be treated as an Official Statement with respect to the Bonds described herein "deemed final" by the District as of the date hereof (or of any such supplement or correction) except for the omission of certain information referred to in the succeeding paragraph.

The Official Statement, when further supplemented by adding information specifying the interest rates and certain other information relating to the Bonds, shall constitute a "FINAL OFFICIAL STATEMENT" of the District with respect to the Bonds, as that term is defined in the Rule.

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

\_\_\_\_\_

Secretary, Board of Directors  
Kendall County Municipal Utility District No. 1

\_\_\_\_\_

President, Board of Directors  
Kendall County Municipal Utility District No. 1

(this page intentionally left blank)

## **PHOTOGRAPHS**

The following photographs were taken in the District in May, 2024. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See "THE DISTRICT." **You can also view the District at <https://cordilleraranch.com/>.**

(this page intentionally left blank)











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

The information contained in this appendix has been excerpted from the audited financial statements of Kendall County Municipal Utility District No. 1 for the fiscal year ended August 31, 2023. Certain information not considered to be relevant to this financing has been omitted; however, complete audit reports are available upon request.

(this page intentionally left blank)

**Kendall County  
Municipal Utility District No. 1**

**Financial Statements and  
Supplemental Information  
as of and for the Year Ended  
August 31, 2023 and  
Independent Auditors' Report**

# KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

## TABLE OF CONTENTS

	<u>Page</u>
<i>Annual Filing Affidavit</i> .....	1
<i>Independent Auditor's Report</i> .....	2
<i>Management's Discussion and Analysis</i> .....	MDA-1
<b><i>Financial Statements</i></b>	
Statement of Net Position and Governmental Fund Balance Sheet .....	FS-1
Statement of Activities and Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance .....	FS-2
<i>Notes to the Financial Statements</i> .....	FS-3
<b><i>Required Supplementary Information (RSI)</i></b>	
Budgetary Comparison Schedule - General Fund .....	FS-13
<b><i>Texas Supplementary Information (TSI)</i></b>	
Services and Rates .....	TSI-1
General Fund Expenditures.....	TSI-2
Temporary Investments .....	TSI-3
Taxes Levied and Receivable .....	TSI-4
Long-Term Debt Service Requirements - By Years .....	TSI-5
Changes in Long-Term Bonded Debt .....	TSI-6
Comparative Schedule of Revenues and Expenditures - General Fund - Five Years .....	TSI-7
Board Members, Key Personnel and Consultants .....	TSI-8

**ANNUAL FILING AFFIDAVIT**

# ANNUAL FILING AFFIDAVIT

STATE OF TEXAS  
COUNTY OF KENDALL

I, Chris Hoegemeyer of the  
(Name of Duly Authorized District Representative)

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
(Name of District)

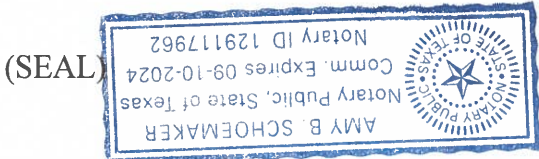
hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **11th day of January, 2024**, its annual audit report for the fiscal year ended **August 31, 2023** and that copies of the annual audit report have been filed in the District's office, located at:

**4301 Bull Creek Blvd. Suite 150**  
**Austin, Texas 78731**  
(Address of District's Office)

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

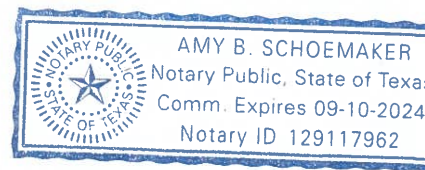
Date: January 11<sup>th</sup>, 2024 By: [Signature]  
(Signature of Representative)  
Chris Hoegemeyer Secretary  
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 11<sup>th</sup> day of January, 2024.



[Signature]  
(Signature of Notary)

My Commission Expires On: 9-10-2024,  
Notary Public in the State of Texas



Form TCEQ-0723 (Revised 07/2012)



**INDEPENDENT AUDITORS' REPORT**



MAXWELL LOCKE & RITTER LLP

*Accountants and Consultants*

*An Affiliate of CPAmerica International*

tel (512) 370 3200 fax (512) 370 3250  
www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100  
Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300  
Round Rock, TX 78664

## **Independent Auditors' Report**

To the Board of Directors of  
Kendall County Municipal Utility District No. 1:

### **Opinions**

We have audited the financial statements of the governmental activities and the General Fund of Kendall County Municipal Utility District No. 1 (the "District"), as of and for the year ended August 31, 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 accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the District as of August 31, 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 Auditors' 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.

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"  
This firm is not a CPA firm

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.

### **Auditors' 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 auditors' 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 budgetary comparison information 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 supplemental information listed in the table of contents 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 been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Texas supplemental information listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Austin, Texas  
January 11, 2024

**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**

# KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1 MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2023

---

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Kendall County Municipal Utility District No. 1 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended August 31, 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 \$461,828, an increase of \$289,136 from the previous fiscal year. General Fund revenues were \$320,734 in the current fiscal year while expenditures were \$31,598.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had revenues net of expenses of \$291,830 during the current fiscal year. Net position increased from \$72,947 at August 31, 2022 to \$364,777 at August 31, 2023.

## OVERVIEW OF THE DISTRICT

The District was created on June 14, 2013 pursuant to Acts of the 83<sup>rd</sup> Legislature, Regular Session, and codified by Chapter 8484 of the Texas Special District Local Laws Code and in accordance with Article XVI, Section 59 of the Texas Constitution, with the powers and duties provided by Chapters 49 and 54 of the Texas Water Code.

The District is located on approximately 2387 acres of land in Kendall County approximately 15 miles east of the City of Boerne, Texas.

## USING THIS ANNUAL REPORT

This annual report consists of four 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))

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.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**MANAGEMENT’S DISCUSSION AND ANALYSIS**  
**AUGUST 31, 2023**

---

**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.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 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	\$ 473,698	\$ 182,027	\$ 291,671
Capital and non-current assets	-	-	-
<b>Total Assets</b>	<b>\$ 473,698</b>	<b>\$ 182,027</b>	<b>\$ 291,671</b>
Current liabilities	\$ 8,921	\$ 9,080	\$ (159)
Long-term liabilities	100,000	100,000	-
<b>Total Liabilities</b>	<b>\$ 108,921</b>	<b>\$ 109,080</b>	<b>\$ (159)</b>
Net investment in capital assets	-	-	-
Restricted for debt service	-	-	-
Unrestricted	364,777	72,947	291,830
<b>Total Net Position</b>	<b>\$ 364,777</b>	<b>\$ 72,947</b>	<b>\$ 291,830</b>

\* - Unaudited

The District's net position increased by \$291,830 to \$364,777 from the previous year's balance of \$72,947.



**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AUGUST 31, 2023**

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

**Revenues and Expenses:**

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2023	2022 *	
Property taxes, including penalties	\$ 306,541	\$ 129,897	\$ 176,644
Interest and other revenue	16,887	830	16,057
<b>Total Revenues</b>	<b>\$ 323,428</b>	<b>\$ 130,727</b>	<b>\$ 192,701</b>
Professional fees	\$ 24,641	\$ 32,565	\$ (7,924)
Recurring operating	6,957	6,698	259
<b>Total Expenses</b>	<b>\$ 31,598</b>	<b>\$ 39,263</b>	<b>\$ (7,665)</b>
<b>Change in Net Position</b>	<b>\$ 291,830</b>	<b>\$ 91,464</b>	<b>\$ 200,366</b>
<b>Beginning Net Position</b>	<b>72,947</b>	<b>(18,517)</b>	<b>91,464</b>
<b>Ending Net Position</b>	<b>\$ 364,777</b>	<b>\$ 72,947</b>	<b>\$ 291,830</b>

\* - Unaudited

Revenues were \$323,428 for the fiscal year ended August 31, 2023 while expenses were \$31,598. Net position increased \$291,830 for the fiscal year ended August 31, 2023.

Property tax revenues in the current fiscal year totaled \$306,541. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2022 tax year (August 31, 2023 fiscal year) were based upon a current assessed value of \$47,497,759 and a tax rate of \$0.6389 per \$100 of assessed valuation. Property taxes levied for the 2021 tax year (August 31, 2022 fiscal year) were based upon a current assessed value of \$16,925,060 and a tax rate of \$0.65 per \$100 of assessed valuation.

The tax rate levied is determined after the District’s Board of Directors reviews the General Fund budget requirements of the District. The District’s primary revenue source during fiscal year 2023 were property taxes.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
AUGUST 31, 2023**

**ANALYSIS OF GOVERNMENTAL FUNDS**

Governmental Funds by Year

	2023	2022*	2021*
Cash and cash equivalents	\$ 469,305	\$ 181,772	\$ 86,074
Other	4,393	255	-
<b>Total Assets</b>	<b>\$ 473,698</b>	<b>\$ 182,027</b>	<b>\$ 86,074</b>
Liabilities	\$ 8,921	\$ 9,080	\$ 4,847
<b>Total Liabilities</b>	<b>\$ 8,921</b>	<b>\$ 9,080</b>	<b>\$ 4,847</b>
Deferred Inflows of Resources	\$ 2,949	\$ 255	\$ -
Nonspendable	\$ 1,444	\$ -	\$ -
Unassigned	\$ 460,384	\$ 172,692	\$ 81,227
<b>Total Fund Balance</b>	<b>\$ 461,828</b>	<b>\$ 172,692</b>	<b>\$ 81,227</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 473,698</b>	<b>\$ 182,027</b>	<b>\$ 86,074</b>

\* - Unaudited

As of August 31, 2023, the District’s governmental fund reflected a fund balance of \$461,828. For the year ended August 31, 2023, fund balance increased by \$289,136 in the General Fund.

**BUDGETARY HIGHLIGHTS**

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on August 11, 2022 for the 2023 fiscal year. The budget included projected revenues of \$242,134 as compared to expenditures of \$43,860. When comparing actual results to budget, the District had a positive variance of \$90,862. 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 (August 31, 2024 fiscal year) is approximately \$66.7 million. The fiscal year 2024 tax rate is \$0.65 on each \$100 of taxable value. Approximately 23% of the property tax will fund general operating expenses and 77% will fund principal and interest on future bonded debt.

The adopted budget for fiscal year 2024 projects a \$2,198 increase to the operating fund balance.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
AUGUST 31, 2023**

---

**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 McLean & Howard, LLP, 4301 Bull Creek Blvd., Suite 150, Austin, TX 78731.

**BASIC  
FINANCIAL STATEMENTS**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**STATEMENT OF NET POSITION AND**  
**GOVERNMENTAL FUND BALANCE SHEET**  
**AUGUST 31, 2023**

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Net Position</u>
<b><u>ASSETS</u></b>			
Cash	\$ 27,400	\$ -	\$ 27,400
Cash equivalents	441,905	-	441,905
Receivables-			
Property taxes	2,949	-	2,949
Prepaid expenditures	1,444	-	1,444
<b>TOTAL ASSETS</b>	<u>\$ 473,698</u>	<u>-</u>	<u>473,698</u>
<b><u>LIABILITIES</u></b>			
Accounts payable	\$ 8,921	-	8,921
Long-term liabilities-			
Due to developer	-	100,000	100,000
<b>TOTAL LIABILITIES</b>	<u>8,921</u>	<u>100,000</u>	<u>108,921</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Property taxes	2,949	(2,949)	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>2,949</u>	<u>(2,949)</u>	<u>-</u>
<b><u>FUND BALANCE / NET POSITION</u></b>			
Fund balance:			
Nonspendable	1,444	(1,444)	-
Unassigned	460,384	(460,384)	-
<b>TOTAL FUND BALANCE</b>	<u>461,828</u>	<u>(461,828)</u>	<u>-</u>
<b>TOTAL LIABILITIES AND INFLOWS OF RESOURCES AND FUND BALANCE</b>	<u>\$ 473,698</u>		
Net position-			
Unrestricted		<u>364,777</u>	<u>364,777</u>
<b>TOTAL NET POSITION</b>		<u>\$ 364,777</u>	<u>\$ 364,777</u>

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

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT**  
**OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE**  
**YEAR ENDED AUGUST 31, 2023**

	<u>General Fund</u>	<u>Adjustments Note 2</u>	<u>Government - Wide Statement of Activities</u>
<b><u>REVENUES:</u></b>			
Property taxes, including penalties	\$ 303,847	\$ 2,694	\$ 306,541
Interest and other	16,887	-	16,887
<b>TOTAL REVENUES</b>	<b>\$ 320,734</b>	<b>\$ 2,694</b>	<b>\$ 323,428</b>
<b><u>EXPENDITURES / EXPENSES:</u></b>			
Current:			
Director fees, including payroll taxes	\$ 1,453	\$ -	\$ 1,453
Legal fees	12,207	-	12,207
Bookkeeping fees	2,700	-	2,700
Engineering fees	7,234	-	7,234
Financial advisor fees	2,500	-	2,500
Insurance	1,725	-	1,725
Tax appraisal/collection fees	1,781	-	1,781
Public notice	1,396	-	1,396
Miscellaneous expenditures	602	-	602
<b>TOTAL EXPENDITURES / EXPENSES</b>	<b>\$ 31,598</b>	<b>\$ -</b>	<b>\$ 31,598</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>\$ 289,136</b>	<b>\$ (289,136)</b>	<b>\$ -</b>
<b>CHANGE IN NET POSITION</b>		<b>291,830</b>	<b>291,830</b>
<b><u>FUND BALANCE / NET POSITION:</u></b>			
Beginning of the year	172,692	(99,745)	72,947
End of the year	<b>\$ 461,828</b>	<b>\$ (97,051)</b>	<b>\$ 364,777</b>

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

**NOTES TO THE BASIC  
FINANCIAL STATEMENTS**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

**1. SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of Kendall County Municipal Utility District No. 1 (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 effective June 14, 2013 pursuant to Acts of the 83<sup>rd</sup> Legislature, Regular Session, and codified by Chapter 8484 of the Texas Special District Local Laws Code and in accordance with Article XVI, Section 59 of the Texas Constitution, with the powers and duties provided by Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has 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. The District was confirmed at an election held on May 7, 2016, and the Board held its first meeting on June 23, 2015.

**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 (the “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 and intangible assets, including restricted capital 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.



**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

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

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

The basic financial statements are prepared in conformity with GASB Statement No. 34 and include a column for government-wide (based upon the District as a whole) and fund financial statement presentations. GASB Statement No. 34 also requires as supplementary information 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. All of the District's funds are considered major funds.

**Governmental Fund Types** - The accounts of the District are organized and operated on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a self-balancing set of accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, 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.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 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**

- **Governmental Funds**

- **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. The District has made no such accrual for the year ended August 31, 2023. All other revenues of the District are recorded on the accrual basis in all funds.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

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

**Basis of Accounting**

- **Governmental Funds (continued)**

The District may report unearned revenues on its combined 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 combined balance sheet and revenue is recognized.

**Budgets and Budgetary Accounting** - An unappropriated budget was initially adopted on August 11, 2022, for the General Fund on a basis consistent with GAAP. 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.

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

**Ad Valorem Property Taxes** - Property taxes, penalties, and interest are reported as revenue in the fiscal year in which they become available to finance expenditures of the District. Allowances for uncollectible property taxes are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

**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.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

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

**Deferred Outflows and Deferred Inflows of Resources** - The District complies with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which provides guidance for reporting the financial statement elements of deferred outflows of resources, which represent the consumption of the District's net position that is applicable to a future reporting period, and deferred inflows of resources, which represent the District's acquisition of net position applicable to a future reporting period.

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

**Fund Equity** - 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. See Note 7 for additional information on those fund balance classifications.

**Fair Value Measurements** - The District complies with GASB Statement No. 72, *Fair Value Measurement and Application*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. Fair value accounting requires characterization of the inputs used to measure fair value into a three-level fair value hierarchy as follows:

- Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.
- Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.
- Level 3 inputs are unobservable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

- Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.
- Cost approach - uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).
- Income approach - uses valuation techniques to convert future amounts to present amounts based on current market expectations.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 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	\$ 461,828
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.	2,949
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund-Developer advances	<u>(100,000)</u>
Net Position - Governmental Activities	<u>\$ 364,777</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	\$ 289,136
Amounts reported for governmental activities in the Statement of Activities are different because - Governmental funds report - Property tax revenue in year collected	<u>2,694</u>
Change in Net Position - Governmental Activities	<u>\$ 291,830</u>

**3. CASH AND CASH EQUIVALENTS**

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

**Cash** - At August 31, 2023, the carrying amount of the District's deposits was \$27,400 and the bank balance was \$30,177. The bank balance was covered by federal depository insurance.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

**3. CASH AND CASH EQUIVALENTS (continued) -**

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

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

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

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

At August 31, 2023, the District held the following investments:

Investment	Fair Value	Weighted Average Maturity	Standard & Poor's Rating
TexPool	\$ 441,905	1	AAAM
	<u>\$ 441,905</u>		

The District invests in Texpool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Investors, Inc. manages the daily operations of the pool under a contract with the Comptroller. These investments are recorded at amortized cost in accordance with GASB Statement No. 31.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

**3. CASH AND CASH EQUIVALENTS (continued) -**

In accordance with GASB Statement No. 79, the external local government investment pool does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. This pool does not impose any liquidity fees or redemption gates.

**Concentration of credit risk** - In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of August 31, 2023, the District did not own any investments in individual securities.

**Custodial credit risk-deposits** - Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with Obligations of the United States or its agencies and instrumentalities. As of August 31, 2023, the District's bank deposits were fully insured.

**4. PROPERTY TAXES**

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Kendall Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Kendall County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 7, 2022.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2022 tax roll. The tax rate, based on total taxable assessed valuation of \$47,497,759 was \$0.6389 on each \$100 valuation and was allocated solely to the General Fund. An unlimited maintenance tax was approved by the voters at an election held on May 7, 2016.

Property taxes of \$2,949 were collectable at August 31, 2023.

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

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

**5. 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. Upon completion of facility construction, the developer(s) will convey the completed water and wastewater facilities to the Guadalupe-Blanco River Authority (“GBRA”) pursuant to the terms of an agreement between Cordillera Ranch Ltd. And the GBRA dated October 11, 2001. Claims for reimbursement of construction costs and operational advances by developer(s) 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 May 7, 2016, a bond election held within the District approved authorization to issue \$81,350,000 of bonds to fund costs for water, wastewater and drainage system facilities. As of August 31, 2023, the District has not issued any unlimited tax bonds to reimburse the developer for District construction facilities. At August 31, 2023, the District has \$100,000 outstanding in developer advances which were used to fund operating activities of the District.

**6. 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 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.



**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2023**

---

**7. 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.

- **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. The District had no such amounts.
- **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 fund balance detail 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.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED AUGUST 31, 2023**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
<b>REVENUES:</b>			
Property taxes, including penalties	\$ 303,847	\$ 240,934	62,913
Interest and other	16,887	1,200	15,687
<b>TOTAL REVENUES</b>	<u>\$ 320,734</u>	<u>\$ 242,134</u>	<u>78,600</u>
<b>EXPENDITURES:</b>			
Current:			
Director fees, including payroll taxes	\$ 1,453	\$ 3,260	\$ 1,807
Legal fees	12,207	23,000	10,793
Bookkeeping fees	2,700	3,400	700
Engineering fees	7,234	4,000	(3,234)
Financial advisor fees	2,500	2,750	250
Insurance	1,725	1,850	125
Tax appraisal/collection fees	1,781	3,000	1,219
Public notice	1,396	1,000	(396)
Miscellaneous expenditures	602	1,600	998
<b>TOTAL EXPENDITURES</b>	<u>\$ 31,598</u>	<u>\$ 43,860</u>	<u>\$ 12,262</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 289,136</u>	<u>\$ 198,274</u>	<u>\$ 90,862</u>
<b>FUND BALANCE:</b>			
Beginning of the year	<u>172,692</u>		
End of the year	<u>\$ 461,828</u>		

**TEXAS  
SUPPLEMENTAL INFORMATION**

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-1. SERVICES AND RATES**  
**AUGUST 31, 2023**

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

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

**2. Retail Service Providers**

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

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1000 Gallons Over Minimum</u>	<u>Usage Levels</u>
WATER:	(1)	(1)	(1)	(1)	(1)
WASTEWATER:	(1)	(1)	(1)	(1)	(1)
SURCHARGE:	(1)	(1)	(1)	(1)	(1)

District employs winter averaging for wastewater usage?      Yes       No

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

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

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

<sup>(1)</sup> The Guadalupe-Blanco River Authority (GBRA) provides water and wastewater service to District residents.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-1. SERVICES AND RATES (continued)**  
**AUGUST 31, 2023**

---

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

Gallons pumped into system: \_\_\_\_\_ (1)

Gallons billed to customers: \_\_\_\_\_ (1)

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

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

Does the District assess standby fees? Yes  No

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

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

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

**5. Location of District**

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

Is the District located entirely within one county? Yes  No

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

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

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

Entirely  Partly  Not at all

ETJ's in which district is located: \_\_\_\_\_ City of New Braunfels, TX

Are Board members appointed by an office outside the district?

Yes  No

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

(1) The Guadalupe-Blanco River Authority (GBRA) provides water and wastewater service to District residents.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-2. GENERAL FUND EXPENDITURES**  
**AUGUST 31, 2023**

Personnel Expenditures (including benefits)	\$	-
Professional Fees:		
Auditing		-
Legal		12,207
Engineering		7,234
Financial Advisor		2,500
Purchased Services For Resale-		
Bulk Water and Wastewater Purchases		-
Contracted Services:		
Bookkeeping		2,700
General Manager		-
Appraisal District/Tax Collector		1,781
Other Contracted Services		-
Utilities		-
Repairs and Maintenance		-
Chemicals		-
Administrative Expenditures:		
Directors' Fees		1,453
Office Supplies		-
Website Maintenance		-
Insurance		1,725
Bank Fees		-
Other Administrative Expenditures		1,998
Capital Outlay:		
Capitalized Assets		-
Expenditures not Capitalized		-
Bad Debt		-
Parks and Recreation		-
Other Expenditures		-
<b>TOTAL EXPENDITURES</b>	<b>\$</b>	<b>31,598</b>

Number of persons employed by the District:

Full-Time

Part-Time

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-3. TEMPORARY INVESTMENTS**  
**AUGUST 31, 2023**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<b>General Fund :</b>					
TexPool	XXX0001	Varies	Daily	\$ 425,847	\$ -
TexPool	XXX0002	Varies	Daily	<u>16,058</u>	<u>-</u>
Total				<u>\$ 441,905</u>	<u>\$ -</u>



**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-4. TAXES LEVIED AND RECEIVABLE**  
**AUGUST 31, 2023**

	<b>Maintenance Taxes</b>	<b>Debt Service Taxes</b>	
<b>Taxes Receivable, Beginning of Year</b>	\$ 255	\$ -	
2022 Original Tax Levy, less abatements	306,958	-	
Adjustments	(3,495)	-	
Total to be accounted for	\$ 303,718	\$ -	
Tax collections:			
Current year	\$ 300,769	\$ -	
Prior years	-	-	
Total collections	\$ 300,769	\$ -	
<b>Taxes Receivable, End of Year</b>	\$ 2,949	\$ -	
<b>Taxes Receivable, By Years</b>			
2021	\$ 255	\$ -	
2022	2,694	-	
<b>Taxes Receivable, End of Year</b>	\$ 2,949	\$ -	
<b>Property Valuations:</b>	<b>2022</b> (a)	<b>2021</b> (a)	<b>2020</b> (a)
Land and improvements	\$ 47,497,759	\$ 16,925,060	\$ 9,301,310
<b>Total Property Valuations</b>	\$ 47,497,759	\$ 16,925,060	\$ 9,301,310
<b>Tax Rates per \$100 Valuation:</b>			
Debt Service tax rates	\$ -	\$ -	\$ -
Maintenance tax rates	0.6389	0.65	0.65
<b>Total Tax Rates per \$100 Valuation:</b>	\$ 0.6389	\$ 0.65	\$ 0.65
<b>Adjusted Tax Levy</b>	\$ 303,463	\$ 110,013	\$ 60,459
<b>Percent of Taxes Collected to Taxes Levied *</b>	99.1%	99.9%	100.0%
<b>Maximum Tax Rate Approved by Voters:</b>	<b>Unlimited</b>		

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

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

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS  
AUGUST 31, 2023**

---

The District had no outstanding debt at August 31, 2023.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-6. CHANGES IN LONG-TERM BONDED DEBT**  
**AUGUST 31, 2023**

	<b>Bond Issue</b>	<b>Total</b>
Interest Rate		
Dates Interest Payable		
Maturity Dates		
Bonds Outstanding at Beginning of Current Fiscal Year	\$ -	\$ -
Bonds Sold During the Current Fiscal Year	-	-
Retirements During the Current Fiscal Year:		
Principal	-	-
Refunded	-	-
	-	-
Bonds Outstanding at End of Current Fiscal Year	\$ -	\$ -
Interest Paid During the Current Fiscal Year	\$ -	\$ -
Paying Agent's Name & Address:		
	Unlimited Tax Bonds*	Refunding Bonds*
Bond Authority:		
Amount Authorized by Voters	\$ 81,350,000	\$ 122,025,000
Amount Issued	-	-
Remaining To Be Issued	\$ 81,350,000	\$ 122,025,000
* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.		
Debt Service Fund Cash and Temporary Investments balances as of August 31, 2023:		\$ -
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:		\$ -

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1**  
**TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES**  
**GENERAL FUND - FIVE YEARS**  
**AUGUST 31, 2023**

	Amounts					Percent of Fund Total Revenues				
	2023	2022 *	2021 *	2020 *	2019 *	2023	2022 *	2021 *	2020 *	2019 *
<b>GENERAL FUND REVENUES</b>										
Property taxes, including penalties	\$ 303,847	\$ 129,897	\$ 62,485	\$ 38,320	\$ 26,842	94.7%	99.4%	99.8%	99.8%	99.9%
Interest and other	16,887	830	105	58	36	5.3%	0.6%	0.2%	0.2%	0.1%
<b>TOTAL GENERAL FUND REVENUES</b>	<b>\$ 320,734</b>	<b>\$ 130,727</b>	<b>\$ 62,590</b>	<b>\$ 38,378</b>	<b>\$ 26,878</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>
<b>GENERAL FUND EXPENDITURES:</b>										
Director fees, including payroll taxes	\$ 1,453	\$ 2,584	\$ 2,099	\$ 3,552	\$ 1,453	0.5%	2.0%	3.4%	9.3%	5.4%
Legal fees	12,207	21,873	10,518	17,648	6,974	3.8%	16.7%	16.8%	46.0%	25.9%
Bookkeeping fees	2,700	3,400	3,050	2,350	2,350	0.8%	2.6%	4.9%	6.1%	8.7%
Engineering fees	7,234	4,792	-	-	-	2.3%	3.7%	0.0%	0.0%	0.0%
Financial advisor fees	2,500	2,500	-	-	-	0.8%	1.9%	0.0%	0.0%	0.0%
Insurance	1,725	1,725	1,725	-	3,450	0.5%	1.3%	2.8%	0.0%	12.8%
Tax appraisal/collection fees	1,781	1,312	827	629	575	0.6%	1.0%	1.3%	1.6%	2.1%
Public notice	1,396	353	630	1,562	-	0.4%	0.3%	1.0%	4.1%	0.0%
Other	602	724	474	610	164	0.2%	0.6%	0.8%	1.6%	0.6%
<b>TOTAL GENERAL FUND EXPENDITURES</b>	<b>\$ 31,598</b>	<b>\$ 39,263</b>	<b>\$ 19,323</b>	<b>\$ 26,351</b>	<b>\$ 14,966</b>	<b>9.9%</b>	<b>30.0%</b>	<b>30.9%</b>	<b>68.7%</b>	<b>55.7%</b>
<b>EXCESS OF GENERAL FUND REVENUES OVER EXPENDITURES</b>	<b>\$ 289,136</b>	<b>\$ 91,464</b>	<b>\$ 43,267</b>	<b>\$ 12,027</b>	<b>\$ 11,912</b>	<b>90.1%</b>	<b>70.0%</b>	<b>69.1%</b>	<b>31.3%</b>	<b>44.3%</b>
<b>TOTAL ACTIVE RETAIL WATER CONNECTIONS (1)</b>	-	-	-	-	-	-	-	-	-	-
<b>TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS (1)</b>	-	-	-	-	-	-	-	-	-	-

\* - Unaudited

(1) The Guadalupe-Blanco River Authority (GBRA) provides water and wastewater service to District residents.

**KENDALL COUNTY MUNICIPAL UTILITY DISTRICT NO. 1  
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
AUGUST 31, 2023**

**Complete District Mailing Address:** 4301 Bull Creek Blvd., Suite 150  
Austin, TX 78731

**District Business Telephone Number:** (512) 328 - 2008

**Submission Date of the most recent District  
Registration Form TWC Sections 36.054 & 49.054):** August 17, 2023

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

<u>Name and Address:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees of Office Paid * 8/31/2023</u>	<u>Expense Reimbursements 8/31/2023</u>	<u>Title at Year End</u>
<i>Board Members:</i>				
<b>JAY GILMORE</b>	(Elected) 5/2/2020 5/4/2024	\$ 300	\$ 51	President
<b>CRAIG SCHNUPP</b>	(Appointed) 7/20/2020 5/4/2024	\$ 300	\$ -	Vice-President
<b>CHRIS HOEGEMEYER</b>	(Elected) 5/7/2022 5/2/2026	\$ 300	\$ -	Secretary
<b>PHILIP TURTURRO</b>	(Elected) 5/7/2022 5/2/2026	\$ 150	\$ -	Treasurer
<b>JAN REED</b>	(Elected) 5/2/2020 5/4/2024	\$ 300	\$ 51	Assistant Secretary
<i>Consultants:</i>				
<b>McGinnis Lochridge</b>	Jun 2015	\$ 17,541	\$ -	Former Attorney
<b>McLean &amp; Howard</b>	Aug 2023	\$ -	\$ -	Attorney
<b>Cude Engineers</b>	Oct 2021	\$ 4,417	\$ -	Engineer
<b>SAMCO Capital Markets, Inc</b>	Sept 2021	\$ 2,500	\$ -	Financial Advisor
<b>Bott &amp; Douthitt, PLLC</b>	Dec 2015	\$ 2,700	\$ -	District Accountant
<b>Kendall County Tax Assessor-Collector</b>	Dec 2016	\$ 1,781	\$ -	Tax Collector

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

(this page intentionally left blank)

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

(this page intentionally left blank)





**Orrick, Herrington & Sutcliffe LLP**  
300 W. 6<sup>th</sup> Street  
Suite 1850  
Austin, TX 78701  
+1 512 575 6050  
[orrick.com](http://orrick.com)

\_\_\_\_\_, 2024

We have acted as Bond Counsel for Kendall County Municipal Utility District No. 1 (the “District”) in connection with the issuance of the Kendall County Municipal Utility District No. 1 Unlimited Tax Utility System Bonds, Series 2024 (the “Bonds”), dated September 5, 2024, in the aggregate principal amount of \$6,600,000. The Bonds are issuable in fully registered form only, in denominations of \$5,000 or integral multiples thereof, bear interest, and may be transferred and exchanged as set out in the Bonds and in the order adopted by the Board of Directors of the District (the “Board”) on August 12, 2024 (the “Order”) authorizing their issuance. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Order.

In such connection, we have reviewed the Order, the Tax Certificate of the District dated the date hereof (the “Tax Certificate”), certificates of the District and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. We have also examined executed Bond No. R-1 of this issue.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the District. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Order and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Order and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against entities such as the District in the State of Texas. We express no opinion with respect to any

[\_\_\_\_\_], 2024

Page 2

indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the District, and the Bonds have been authorized and delivered in accordance with law.

2. The Bonds are payable, both as to principal and interest, from the receipts of an annual ad valorem tax levied, without legal limit as to rate or amount, upon taxable property located within the District, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that interest on the Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,



Financial Advisory Services  
Provided By:

