

OFFICIAL STATEMENT DATED NOVEMBER 4, 2024

THE DELIVERY OF THE BONDS IS SUBJECT TO THE OPINION OF BOND COUNSEL AS TO THE VALIDITY OF THE BONDS AND THE OPINION OF SPECIAL TAX COUNSEL TO THE EFFECT THAT INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER STATUTES, REGULATIONS, COURT DECISIONS, AND PUBLISHED RULINGS EXISTING ON THE DATE THEREOF, SUBJECT TO THE MATTERS DESCRIBED UNDER “TAX MATTERS” HEREIN, INCLUDING THE ALTERNATIVE MINIMUM TAX ON CERTAIN CORPORATIONS.

THE DISTRICT HAS DESIGNATED THE BONDS AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

NEW ISSUE – Book-Entry-Only

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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

\$3,150,000
UNLIMITED TAX BONDS
SERIES 2024A

\$2,305,000
UNLIMITED TAX ROAD BONDS
SERIES 2024B

Dated: November 1, 2024

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

Interest Accrual Date: Date of Delivery (defined below)

The Caldwell County Municipal Utility District No. 2 \$3,150,000 Unlimited Tax Bonds, Series 2024A (the “System Bonds”) and its \$2,305,000 Unlimited Tax Road Bonds, Series 2024B (the “Road Bonds,” together with the System Bonds are referred to herein as the “Bonds”), when issued, will constitute valid and legally binding obligations of Caldwell County Municipal Utility District No. 2 (the “District”) and will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas, Caldwell County, the City of Lockhart or any entity other than the District. The Bonds are subject to special risk factors described herein. See “RISK FACTORS.”

Principal of the above described bonds (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially BOKF, NA (the “Paying Agent/Registrar”) in Dallas, Texas. Interest on the Bonds will accrue from the initial date of delivery (expected on November 20, 2024) (the “Date of Delivery”) and be payable on September 1, 2025 and on each March 1 and September 1 thereafter until the earlier of maturity or redemption. The Bonds will be issued only in fully registered form. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds are subject to redemption prior to maturity as shown on the inside cover page.

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

See “MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS” on the inside cover

The Bonds are offered when, as and if issued by the District subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McLean & Howard, L.L.P., Bond Counsel, and McCall, Parkhurst & Horton L.L.P., Special Tax Counsel. Delivery of the Bonds in book-entry form through the facilities of DTC is expected on November 20, 2024.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

\$3,150,000 Unlimited Tax Bonds, Series 2024A

Due	Principal	Interest	Initial	CUSIP	Due	Principal	Interest	Initial	CUSIP
<u>Sept. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield^(a)</u>	<u>Number^(b)</u>	<u>Sept. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield^(a)</u>	<u>Number^(b)</u>
2026	\$ 70,000	6.750%	4.000%	12900AAA1	2031	\$ 90,000 ^(c)	4.250%	4.150%	12900AAF0
2027	75,000	6.750%	4.000%	12900AAB9	2032	95,000 ^(c)	4.250%	4.200%	12900AAG8
2028	80,000	6.750%	4.000%	12900AAC7	2033	100,000 ^(c)	4.250%	4.250%	12900AAH6
2029	80,000	6.750%	4.050%	12900AAD5	2034	105,000 ^(c)	4.250%	4.300%	12900AAJ2
2030	85,000	6.500%	4.100%	12900AAE3	2035	110,000 ^(c)	4.250%	4.350%	12900AAK9

\$1,095,000^(c) 4.375% System Term Bonds due September 1, 2043 Priced to Yield 4.500%^(a) – 12900AAT0^(b)

\$1,165,000^(c) 4.375% System Term Bonds due September 1, 2049 Priced to Yield 4.650%^(a) – 12900AAZ6^(b)

\$2,305,000 Unlimited Tax Road Bonds, Series 2024B

Due	Principal	Interest	Initial	CUSIP	Due	Principal	Interest	Initial	CUSIP
<u>Sept. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield^(a)</u>	<u>Number^(b)</u>	<u>Sept. 1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield^(a)</u>	<u>Number^(b)</u>
2026	\$ 50,000	6.750%	4.000%	12900ABA0	2028	\$ 55,000	6.750%	4.000%	12900ABC6
2027	55,000	6.750%	4.000%	12900ABB8	2029	60,000	6.750%	4.050%	12900ABD4

\$1,005,000^(c) 4.375% Road Term Bonds due September 1, 2041 Priced to Yield 4.450%^(a) – 12900ABR3^(b)

\$1,080,000^(c) 4.500% Road Term Bonds due September 1, 2049 Priced to Yield 4.700%^(a) – 12900ABZ5^(b)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Initial Purchasers for offers to the public and which may be subsequently changed by the Initial Purchasers and is the sole responsibility of the Initial Purchasers. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Initial Purchasers shall be responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.
- (c) Bonds maturing on and after September 1, 2031, are subject to redemption prior to maturity at the option of the District, in whole or in part, on September 1, 2030, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions." Additionally, System Term Bonds maturing on September 1 in the years 2043 and 2049 and Road Term Bonds maturing on September 1 in the years 2041 and 2049 are subject to mandatory sinking fund redemption. See "THE BONDS – Mandatory Sinking Fund Redemption."

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

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

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

OFFICIAL STATEMENT SUMMARY

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

THE FINANCING

The IssuerCaldwell County Municipal Utility District No. 2 (the “District”), a political subdivision of the State of Texas, is located in Caldwell County, Texas. See “THE DISTRICT.”

The Issue.....\$3,150,000 Unlimited Tax Bonds, Series 2024A (the “System Bonds”) are issued pursuant to a resolution (the “System Bond Resolution”) of the District’s Board of Directors. The System Bonds will be issued as fully registered bonds maturing on September 1 in the years and in the amounts shown on the cover hereof. Interest on the System Bonds accrues from the Date of Delivery (expected to be November 20, 2024) and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

The System Bonds maturing on and after September 1, 2031, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2030, or on any date thereafter. Upon redemption, the System Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.” Additionally, System Term Bonds maturing on September 1 in the years 2043 and 2049 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

\$2,305,000 Unlimited Tax Road Bonds, Series 2024B (the “Road Bonds”) are issued pursuant to a resolution (the “Road Bond Resolution”) of the District’s Board of Directors. The Road Bonds will be issued as fully registered bonds maturing on September 1 in the years and in the amounts shown on the cover hereof. Interest on the Road Bonds accrues from the Date of Delivery (expected to be November 20, 2024) and is payable on September 1, 2025, and on each March 1 and September 1 thereafter until the earlier of maturity or prior redemption.

The Road Bonds maturing on and after September 1, 2041, are subject to redemption, in whole or in part, at the option of the District, prior to their maturity dates, on September 1, 2030, or on any date thereafter. Upon redemption, the Road Bonds will be payable at a price of par plus accrued interest to the date of redemption. See “THE BONDS – Redemption Provisions.” Additionally, Road Term Bonds maturing on September 1 in the years 2041 and 2049 are subject to mandatory sinking fund redemption. See “THE BONDS – Mandatory Sinking Fund Redemption.”

Source of Payment.....The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas, Caldwell County, the City of Lockhart or any other political subdivision or agency other than the District. See “THE BONDS – Source of and Security for Payment.”

Use of Proceeds.....Proceeds from the sale of the System Bonds will be used to reimburse the Developers (as hereinafter defined) for funds advanced on behalf of the District as shown herein under “THE SYSTEM – Use and Distribution of Bond Proceeds.” System Bond proceeds will also be used to capitalize eighteen (18) months of interest on the System Bonds, pay interest to the Developers for funds expended for the foregoing, and to pay certain costs associated with the issuance of the System Bonds.

Proceeds from the sale of the Road Bonds will be used to reimburse the Developers for funds advanced on behalf of the District as shown herein under “THE ROAD SYSTEM – Use and Distribution of Bond Proceeds.” Road Bond proceeds will also be used to capitalize eighteen (18) months of interest on the Road Bonds, pay interest to the Developers for funds expended for the foregoing, and to pay certain costs associated with the issuance of the Road Bonds.

Payment RecordThe District has not previously issued bonds.

Qualified Tax-Exempt

ObligationsThe District has designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and represents that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2024 is not reasonably expected to exceed \$10,000,000. See “TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions.”

Municipal Bond Rating

and InsuranceThe District has not applied for an underlying rating or bond insurance nor is it expected that the District would have received an investment grade rating or bond insurance had such applications been made.

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

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

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

Financial AdvisorSpecialized Public Finance Inc., Austin, Texas.

EngineerJones-Heroy & Associates, Inc., Austin, Texas.

Paying Agent/RegistrarBOKF, NA, Dallas, Texas.

THE DISTRICT

DescriptionThe District was created by Senate Bill 871, an act of the 86th Legislature of the State of Texas, Regular Session (2019) and codified as Chapter 8053 of the Special District Local Laws Code (the “Act”). The District contains approximately 661 acres of land after annexations in July 2022 of approximately 21 acres, September 2022 of approximately 136 acres, and May 2023 of approximately 32 acres. The District is located in Caldwell County, Texas (the “County”) south of State Highway 142 and west of State Highway 130, approximately 4 miles southwest of the City of Lockhart, Texas (the “City”). The District lies partially within the extraterritorial jurisdiction of the City and within Lockhart Independent School District.

Status of DevelopmentThe District is being developed primarily for single family residential purposes as Hartland Ranch and Juniper Springs. Hartland Ranch is being developed by Ranch Road Hartland, LLC. Water, sanitary sewer and drainage facilities have been constructed to serve Hartland Ranch, Phases 1 and 2 (approximately 110 acres of land developed into 168 single-family residential lots). As of July 31, 2024, the District contained 65 single-family homes completed and occupied, 1 single-family home completed and not occupied, 95 single-family homes in various stages of construction, and 7 vacant developed lots available to new home construction. Of the 95 homes under construction, 31 are contracted for sale to home purchasers. New homes in the District range in offering prices from approximately \$350,000 to \$425,000 with square footage ranging from 1,650 to 2,580 square feet.

Construction of water, sanitary sewer, and drainage facilities to serve Hartland Ranch, Phase 3 (approximately 34 acres of land being developed into 68 single-family residential lots) is underway.

In addition to the development described above, the District contains approximately 420 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Lockhart Independent School District owns approximately 12 acres of land, which land is exempt from taxation by the District. Also, approximately 85 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses. See “THE DISTRICT – Status of Development.”

The Developers.....Ranch Road Hartland, LLC (“Hartland”), a Texas limited liability company, is currently developing water, sewer and drainage facilities and streets to serve specific sections within the District known as Hartland Ranch. PHAU-Lockhart 450, LLC (“PHAU”), a Texas limited liability company, owns approximately 473 acres within the District and plans to develop water, sewer and drainage facilities to serve specific sections within the District known as Juniper Springs. These entities may be collectively referred to herein as the “Developers.” See “THE DEVELOPERS.”

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SELECTED FINANCIAL INFORMATION

2024 Taxable Assessed Valuation.....	\$26,072,583 ^(a)
Estimated Taxable Assessed Valuation as of September 1, 2024	\$67,290,000 ^(b)
 Gross Direct Debt Outstanding (after the issuance of the Bonds).....	 \$5,455,000
Estimated Overlapping Debt	<u>348,563^(c)</u>
Gross Direct Debt and Estimated Overlapping Debt.....	\$5,803,563
 Ratio of Gross Direct Debt to:	
2024 Taxable Assessed Valuation	20.92%
Estimated Taxable Assessed Valuation as of September 1, 2024	8.11%
 Ratio of Gross Direct Debt and Estimated Overlapping Debt to:	
2024 Taxable Assessed Valuation	22.26% ^(c)
Estimated Taxable Assessed Valuation as of September 1, 2024	8.62% ^(c)
 Funds Available for Debt Service	
Capitalized Interest from System Bond Proceeds	\$219,356 ^(d)
Capitalized Interest from Road Bond Proceeds.....	<u>161,128 ^(d)</u>
Total Funds Available for Debt Service.....	\$380,484
 Funds Available in Operating Fund as of September 10, 2024	\$22,477 ^(e)
 2024 District Tax Rate:	
Debt Service.....	\$0.00
Maintenance and Operations.....	<u>0.95</u>
Total	\$0.95/\$100 A.V.
 Average Annual Debt Service Requirements (2025-2049) (“Average Requirement”).....	\$369,910
 Tax rate required to pay Average Requirement based upon	
2024 Taxable Assessed Valuation at a 95% collection rate	\$1.50/\$100 A.V.
 Tax rate required to pay Average Requirement based upon	
Estimated Taxable Assessed Valuation as of September 1, 2024 at a 95% collection rate.....	\$0.58/\$100 A.V.
 Status of home construction as of July 31, 2024:	
Single-family residential – completed and occupied.....	65
Single-family residential – completed and unoccupied.....	1
Single-family residential – under construction.....	<u>95</u>
Total	161

Area of District – 661 acres
Estimated 2024 Population – 228^(f)

- (a) As certified by the Caldwell Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
- (b) As estimated by the Appraisal District as of September 1, 2024 for informational purposes only. Such amount reflects an estimate of the taxable land and improvements value within the District on September 1, 2024. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See “TAX PROCEDURES.”
- (c) See “ESTIMATED OVERLAPPING DEBT STATEMENT” herein.
- (d) The District will capitalize eighteen (18) months of interest from System Bond proceeds and eighteen (18) months of interest from Road Bond proceeds. Neither the Bond Resolutions (defined herein) nor Texas law requires that the District maintain any particular balance in the System Debt Service Fund and the Road Debt Service Fund. See “THE SYSTEM – Use and Distribution of Bond Proceeds” and “THE ROAD SYSTEM – Use and Distribution of Bond Proceeds.”
- (e) See “RISK FACTORS – Operating Funds.”
- (f) Estimate based on 3.5 persons per occupied home.

OFFICIAL STATEMENT

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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

\$3,150,000
UNLIMITED TAX BONDS
SERIES 2024A

\$2,305,000
UNLIMITED TAX ROAD BONDS
SERIES 2024B

This Official Statement provides certain information in connection with the issuance by Caldwell County Municipal Utility District No. 2 (the “District”) of its \$3,150,000 Unlimited Tax Bonds, Series 2024A (the “System Bonds”) and its \$2,305,000 Unlimited Tax Road Bonds, Series 2024B (the “Road Bonds,” together with the System Bonds are referred to herein as the “Bonds”).

The Bonds are issued pursuant to the Texas Constitution (Article XVI, Section 59 in the case of the System Bonds and Article III, Section 52 in the case of the Road Bonds), the Act (as defined herein), the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, an election held in the District, and a resolution authorizing the issuance of the System Bonds (the “System Bond Resolution”) and a resolution authorizing the issuance of the Road Bonds (the “Road Bond Resolution,” together with the System Bond Resolution are referred to herein as the “Bond Resolutions”) adopted by the Board of Directors of the District (the “Board”), and, as to the System Bonds, an order of the Texas Commission on Environmental Quality (the “Commission” or “TCEQ”).

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

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

RISK FACTORS

General

The Bonds, which are obligations of the District and not obligations of the State of Texas, Caldwell County, the City, or any other political entity other than the District, will be secured by an annual ad valorem tax levied, without legal limitation as to rate or amount, on all taxable property within the District. The ultimate security for payment of the principal of and interest on the Bonds depends on the ability of the District to collect from the 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.

Factors Affecting Taxable Values and Tax Payments

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

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

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

Dependence Upon Developers and Homebuilder: The Developers and active homebuilder are the principal taxpayers in the District. The growth of the tax base is dependent upon additional construction of homes within the District. The Developers are under no obligation to continue to market developed tracts of land for improvement. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment by the Developers. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, the homebuilder within the District, or other entities to whom such parties may sell all or a portion of their 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 Developers. Failure to construct taxable improvements on developed lots and tracts or failure of the Developers to develop their land would restrict the rate of growth of taxable value in the District. See "THE DISTRICT – Status of Development" and "THE DEVELOPERS."

Based upon the most recently available information from the Caldwell Central Appraisal District, the principal taxpayers in the District represented \$10,975,020 or approximately 42.08% of the District's 2024 Certified Taxable Assessed Valuation of \$26,072,583. As of January 1, 2024, the Developers and its related entities owned property located within the District, the total aggregate assessed value of which comprised approximately 4.92% of the District's total assessed valuation. If the Developers (or other principal taxpayer) were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations" in this section, "TAX DATA – Principal Taxpayers," and "TAX PROCEDURES – Levy and Collection of Taxes."

Undeveloped Acreage and Vacant Lots: There are approximately 420 developable acres that have not been provided with water distribution, wastewater collection, and storm drainage facilities and 7 developed lots that remain vacant as of July 31, 2024. The District makes no representation as to when or if the undeveloped land will be developed or if construction of homes on vacant lots will occur. See "THE DISTRICT – Status of Development."

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2024 Taxable Assessed Valuation of the District (see "FINANCIAL STATEMENT") is \$26,072,583. After issuance of the Bonds, the maximum annual debt service requirement will be \$396,825 (2049) and the average annual debt service requirement will be \$369,910 (2025-2049). Assuming no increase or decrease from the 2024 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$1.61 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$396,825 and a tax rate of \$1.50 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$369,910 (see "DEBT SERVICE REQUIREMENTS"). The Estimated Taxable Assessed Valuation as of September 1, 2024 within the District is \$67,290,000. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of September 1, 2024 and a 95% collection rate, tax rates of \$0.63 and \$0.58 per \$100 assessed valuation would be necessary to pay the maximum annual requirement and average annual requirement, respectively. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds based upon the 2024 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2024, the District can make no representations regarding the future level of assessed valuation

within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See "TAX PROCEDURES" and "TAX DATA – Tax Adequacy for Debt Service."

Future Debt

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of \$225,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and \$145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District. After issuance of the Bonds, the District will have \$221,850,000 authorized but unissued unlimited tax bonds for water, sanitary sewer and drainage facilities and \$142,695,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The District reserves in the System Bond Resolution the right to issue the remaining \$221,850,000 authorized but unissued unlimited tax bonds for water, sanitary sewer and drainage facilities. The District reserves in the Road Bond Resolution the right to issue the remaining \$142,695,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The District may also issue refunding bonds. See "THE BONDS – Issuance of Additional Debt" and "THE SYSTEM – Future Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities or recreational facilities must be approved by the Texas Commission on Environmental Quality (the "TCEQ" or the "Commission"). Any additional bonds issued by the District may dilute the security for the Bonds.

The Developers have financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from the proceeds of the Bonds, the Developers will have expended approximately \$9,200,000 (as of October 15, 2024) for design, construction and acquisition of District improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission. According to the Engineer, the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

Operating Funds

The District levied a 2024 maintenance tax of \$0.95 per \$100 of assessed valuation. The District's general fund balance as of September 10, 2024, was \$22,477. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developers, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the District's utility operations) to fund its operating expenses. Such a tax, when added to the District's debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property. See "GENERAL FUND OPERATIONS – Operating Statement."

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other 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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. 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. The 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. See "TAX PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

The District may not be placed into bankruptcy involuntarily.

Continuing Compliance with Certain Covenants

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

Marketability

The District has no agreement with the Initial Purchasers (hereinafter defined) regarding the reoffering yields or prices of the Bonds and has no control over trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made in the Bonds or that if a secondary market were to be made that such a secondary market would not be disrupted by certain events. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers as such bonds are generally bought, sold or traded in the secondary market.

Governmental Approval

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

Forward-Looking Statements

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

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

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

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

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

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

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

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

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

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

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

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) groundwater well permitting and surface water appropriation; (2) public water supply systems; (3) wastewater discharges from treatment facilities; (4) storm water discharges; and (5) wetlands dredge and fill activities. Each of these is addressed below:

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

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

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

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

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

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

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

Potential of Natural Disaster

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

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

Changes in Tax Legislation

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

Drought Conditions

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

Storm Water

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

THE BONDS

General

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

Each series of Bonds will be dated November 1, 2024 and accrue interest from the Date of Delivery (expected to be November 20, 2024). Interest is payable on each March 1 and September 1 commencing September 1, 2025, until the earlier of maturity or prior redemption. Each series of Bonds mature on September 1 in the amounts and years shown on the inside cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds.

Authority for Issuance

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of a total of \$225,000,000 principal amount in unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities to serve the District. The System Bonds are being issued pursuant to such authorization. See “Issuance of Additional Debt” below. The Commission has authorized the District to sell the Bonds for the purposes described in “THE SYSTEM – Use and Distribution of Bond Proceeds.”

At a bond election held within the District on November 5, 2019, the voters of the District authorized the issuance of a total of \$145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements to serve the District. The Road Bonds are being issued pursuant to such authorization. See “Issuance of Additional Debt” below.

The Bonds are issued by the District pursuant to the terms and provisions of the Bond Resolutions, as to the System Bonds, an order of the Commission, Article III, Section 52 of the Texas Constitution (as to the Road Bonds), Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code, as amended.

Source of and Security for Payment

The Bonds are payable as to the principal and interest from the proceeds of a continuing direct annual ad valorem tax levied, without legal limitation as to rate or amount, against all taxable property within the District. While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants in the appropriate Bond Resolution to levy an annual ad valorem tax, without legal limit as to rate or amount, upon all taxable property in the District sufficient to pay the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Caldwell County, the City or any entity other than the District.

Funds

In the System Bond Resolution, the System Debt Service Fund is created, and the proceeds from all taxes levied, assessed and collected for and on account of the System Bonds authorized by the System Bond Resolution shall be deposited, as collected, in such fund.

Capitalized interest shall be deposited into the System Debt Service Fund upon receipt. The remaining proceeds from sale of the System Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to reimburse the Developers for the costs of acquiring or constructing District facilities on behalf of the District, pay interest on such reimbursements and pay the costs of issuing the System Bonds. See “THE SYSTEM – Use and Distribution of Bond Proceeds” for a more complete description of the use of Bond proceeds.

In the Road Bond Resolution, the Road Debt Service Fund is created, and the proceeds from all taxes levied, assessed and collected for and on account of the Road Bonds authorized by the Road Bond Resolution shall be deposited, as collected, in such fund.

Capitalized interest shall be deposited into the Road Debt Service Fund upon receipt. The remaining proceeds from sale of the Road Bonds, including interest earnings thereon, shall be deposited into the Capital Projects Fund, to reimburse the Developers for the costs of acquiring or constructing District facilities on behalf of the District, pay interest on such reimbursements and pay the costs of issuing the Road Bonds. See "THE ROAD SYSTEM – Use and Distribution of Bond Proceeds" for a more complete description of the use of Bond proceeds.

No Arbitrage

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

Record Date

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

Redemption Provisions

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

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

Mandatory Sinking Fund Redemption

The System Bonds maturing on September 1 in the years 2043 and 2049 (the “System Term Bonds”) are also subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

System Term Bonds Due September 1, 2043		System Term Bonds Due September 1, 2049	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2036	\$ 115,000	September 1, 2044	\$ 170,000
September 1, 2037	120,000	September 1, 2045	180,000
September 1, 2038	125,000	September 1, 2046	190,000
September 1, 2039	135,000	September 1, 2047	200,000
September 1, 2040	140,000	September 1, 2048	205,000
September 1, 2041	145,000	September 1, 2049*	220,000
September 1, 2042	155,000		
September 1, 2043*	160,000		

*Stated Maturity.

The Road Bonds maturing on September 1 in the years 2041 and 2049 (the “Road Term Bonds”) are also subject to mandatory sinking fund redemption prior to their stated maturity in the following amounts, on the following dates and at a price of par to the date of redemption by lot:

Road Term Bonds Due September 1, 2041		Road Term Bonds Due September 1, 2049	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
September 1, 2030	\$ 65,000	September 1, 2042	\$ 115,000
September 1, 2031	65,000	September 1, 2043	120,000
September 1, 2032	70,000	September 1, 2044	125,000
September 1, 2033	75,000	September 1, 2045	130,000
September 1, 2034	75,000	September 1, 2046	135,000
September 1, 2035	80,000	September 1, 2047	145,000
September 1, 2036	85,000	September 1, 2048	150,000
September 1, 2037	90,000	September 1, 2049*	160,000
September 1, 2038	95,000		
September 1, 2039	100,000		
September 1, 2040	100,000		
September 1, 2041*	105,000		

*Stated Maturity.

On or before 30 days prior to each mandatory redemption date set forth above, the Paying Agent/Registrar shall (i) determine the principal amount of such System Term Bond or Road Term Bond that must be mandatorily redeemed on such mandatory redemption date, after taking into account deliveries for cancellation and optional redemptions as more fully provided for below, (ii) select, by lot or other customary random method, the System Term Bond or Road Term Bond or portions of the System Term Bond or Road Term Bond of such maturity to be mandatorily redeemed on such mandatory redemption date, and (iii) give notice of such redemption as provided in the respective Bond Resolution. The principal amount of any System Term Bond or Road Term Bond to be mandatorily redeemed on such mandatory redemption date shall be reduced by the principal amount of such System Term Bond or Road Term Bond, which, by the 45th day prior to such mandatory redemption date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Registration and Transfer

BOKF, NA, Dallas, Texas is the initial paying agent/registrar (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”) for the Bonds. So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the register at its principal

payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds, with the approval of the Commission, necessary to acquire contract rights and provide and maintain improvements and facilities consistent with the purposes for which the District was created. After issuance of the Bonds, the District will have \$221,850,000 authorized but unissued unlimited tax bonds for water, sanitary sewer, and drainage facilities and \$142,695,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. The District may also issue refunding bonds. Neither Bond Resolution imposes any limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District. Any additional bonds issued by the District may dilute the security for the Bonds. See “RISK FACTORS – Future Debt.”

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or acquire contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the Commission and the voters of the District, to establish, operate, and maintain firefighting facilities, independently or with one or more conservation and reclamation districts.

Annexation by the City of Lockhart

The District is located partially within the extraterritorial jurisdiction of the City. Generally, under current Texas law, the District may be annexed by the City without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than fifty-percent (50%) of the land in the area, a petition has been signed by more than fifty-percent (50%) of the landowners consenting to the annexation.

If a municipal utility district is annexed, the municipality must assume the assets, functions, and obligations of the District, including outstanding bonds, and the pledge of taxes will terminate. No representation is made concerning the likelihood of annexation and dissolution or the ability of the City to make debt service payments on the Bonds should dissolution occur.

Consolidation

The District has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets (such as cash and the utility system) and liabilities (such as the Bonds), with the assets and liabilities of districts with which it is consolidating. Although no consolidation is presently contemplated by the District, no representation is made concerning the likelihood of consolidation in the future.

Remedies in Event of Default

Other than a writ of mandamus, each Bond Resolution does not provide a specific remedy for a default. If the District defaults, a Registered Owner could petition for a writ of mandamus issued by a court of competent jurisdiction compelling and requiring the District and the District's officials to observe and perform the covenants, obligations or conditions prescribed in the applicable Bond Resolution. Such remedy might need to be enforced on a periodic basis. Based on recent Texas court decisions, it is unclear whether §49.066, Texas Water Code, effectively waives governmental immunity of a municipal utility district for suits for money damages. Even if a judgment against the District for money damages could be obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforcement of a claim for payment on the Bonds would be subject to the applicable provisions of the federal bankruptcy laws, any other similar laws affecting the rights of creditors of political subdivisions, and general principles of equity which permit the exercise of judicial discretion. Certain traditional legal remedies also may not be available. See "RISK FACTORS – Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, 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 Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

General

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

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating from S&P Global Rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owners") 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 Owners entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District was created by Senate Bill 871, an act of the 86th Legislature of the State of Texas, Regular Session (2019) and codified as Chapter 8053 of the Special District Local Laws Code (the “Act”), and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, the Act, and other general statutes applicable to municipal utility districts.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants, and contract rights therefor, necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities or contract rights therefor. The District is also empowered to establish parks and recreational facilities for the residents of the District, to contract for or employ its own peace officers and, after approval by the City, the TCEQ, and the voters of the District, to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts. See “THE BONDS – Issuance of Additional Debt.”

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds; limit the net effective interest rate on such bonds and other terms of such bonds; and require public water, sewer, and drainage facilities to be designed in accordance with certain City standards. Construction and operation of the District’s drainage system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Location

The District contains approximately 661 acres of land after annexations in July 2022 of approximately 21 acres, September 2022 of approximately 136 acres, and May 2023 of approximately 32 acres. The District is located in Caldwell County, Texas (the “County”) south of State Highway 142 and west of State Highway 130, approximately 4 miles southwest of the City of Lockhart, Texas (the “City”). The District lies partially within the extraterritorial jurisdiction of the City and within Lockhart Independent School District.

Status of Development

The District is being developed primarily for single family residential purposes as Hartland Ranch and Juniper Springs. Water, sanitary sewer and drainage facilities have been constructed to serve Hartland Ranch, Phases 1 and 2 (approximately 110 acres of land developed into 168 single-family residential lots). As of July 31, 2024, the District contained 65 single-family homes completed and occupied, 1 single-family home completed and not occupied, 95 single-family homes in various stages of construction, and 7 vacant developed lots available to new home construction. Of the 95 homes under construction, 31 are contracted for sale to home purchasers.

The current builder in the District is D.R. Horton. New homes in the District range in offering prices from approximately \$350,000 to \$425,000. As of July 31, 2024, the District contained 161 single-family homes completed or under construction as shown below:

Status of home construction as of July 31, 2024:

Single-family residential – completed and occupied.....	65
Single-family residential – completed and unoccupied.....	1
Single-family residential – under construction.....	<u>95</u>
Total	161

Construction of water, sanitary sewer, and drainage facilities to serve Hartland Ranch, Phase 3 (approximately 34 acres of land being developed into 68 single-family residential lots) is underway.

In addition to the development described above, the District contains approximately 420 acres of developable land which are not provided with underground water, sanitary sewer and drainage facilities. Lockhart Independent School District owns approximately 12 acres of land, which land is exempt from taxation by the District. Also, approximately 85 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses.

MANAGEMENT

Board of Directors

The District is governed by the Board of Directors, consisting of five directors, which has control over and management supervision of all affairs of the District. None of the Directors listed below reside within the District; however, each of the Directors owns a small parcel of land in the District subject to a Note and Deed of Trust in favor of a third party. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are held in May in even numbered years. The Directors and Officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires May</u>
John Casey Roy	President	2026
Nathaniel Klugman	Vice President	2028
Rene Abrego	Secretary	2026
Tyler Wilson	Assistant Secretary	2028
Steve Wilson	Assistant Secretary	2026

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

Tax Assessor/Collector

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

Bookkeeper

The District has engaged Bott & Douthitt, PLLC to serve as the District’s bookkeeper (the “Bookkeeper”).

Engineer

The consulting engineer for the District in connection with the design and construction of the District’s facilities is Jones-Heroy & Associates, Inc. (the “Engineer”).

General Counsel and Bond Counsel

The District engages McLean & Howard, L.L.P. as general counsel and as bond counsel in connection with the issuance of the Bonds. The legal fees to be paid bond counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Special Tax Counsel

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

Disclosure Counsel

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

Financial Advisor

Specialized Public Finance Inc. (the “Financial Advisor”) serves as financial advisor to the District. The fees to be paid the Financial Advisor for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Auditor

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

THE DEVELOPERS

Role of a Developer

In general, the activities of a landowner or developer in a municipal utility district such as the District include designing the project; defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. In some instances, a landowner or developer will be required by the Commission to pay thirty percent (30%) of the cost of placing the water distribution, wastewater collection, and storm drainage facilities in a district, exclusive of water supply and storage and wastewater treatment plants of which the district incurs one hundred percent (100%) of the cost. While a developer is required by the Commission to pave streets (in areas where District facilities are being financed with bonds), a developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. 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 a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Neither the Developers (as hereinafter defined) nor any of their affiliates, is obligated to pay principal of or interest on the Bonds. See “RISK FACTORS – Factors Affecting Taxable Values and Tax Payments.” Furthermore, neither the Developers nor any of their affiliates has any binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developers should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the boundaries of the District.

The Developers

Ranch Road Hartland, LLC (“Hartland”), a Texas limited liability company, is currently developing water, sewer and drainage facilities and streets to serve specific sections within the District known as Hartland Ranch. Hartland has obtained financing for a portion of the development of Hartland Ranch through the Public Finance Authority of Wisconsin (the “PFA”). The PFA issued \$8,300,000 Special Revenue Bonds, Series 2024 (the “PFA Bonds”), which are secured in part by the sale and assignment of Hartland’s right to receive proceeds from the Bonds and the future sale of unlimited tax bonds issued by the District. According to the Hartland, they are currently in compliance with all material representations and certifications made with respect to the PFA Bonds and have made the necessary certifications required by the Texas Attorney General ensuring the proceeds of the Bonds are being used for lawful purposes authorized under Texas law. Hartland has also obtained financing from private equity partners and private lenders.

Of the 168 total lots in Hartland Ranch, houses have been, or are being, constructed on approximately 161 of such lots. Hartland owns approximately 66 additional acres of land in the District.

PHAU-Lockhart 450, LLC (“PHAU”), a Texas limited liability company, owns approximately 473 acres within the District and plans to develop water, sewer and drainage facilities to serve specific sections within the District known as Juniper Springs. PHAU is financing the development of Juniper Springs with funds provided by its parent company, Perry Homes LLC (“Perry”), a Houston based private homebuilding company since 1967. Perry has built more than 65,000 homes in over 120 communities within Texas and Florida.

Hartland and PHAU may be collectively referred to herein as the Developers.

None of the Developers are responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or to the owners of the Bonds, or to continue development of land within the District, and may sell or otherwise dispose of their respective property within the District, or any other assets, at any time.

THE SYSTEM

Regulation

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

Water, Sanitary Sewer and Drainage Facilities

Construction of the water, sanitary sewer and drainage facilities to serve the District have been, or will be, financed with funds advanced by the Developer. It is expected that proceeds from sale of future issues of District Bonds will be used to reimburse the Developers for certain of the advances.

Source of Water Supply: Maxwell Special Utility District ("Maxwell SUD") provides retail water service to all residents within that portion of the District being developed as Hartland Ranch pursuant to Non-Standard Retail Service Agreement entered into by Maxwell SUD and Ranch Road Hartland, LLC dated January 2, 2022, as subsequently amended (the "Hartland Water Agreement"). The Hartland Water Agreement was partially assigned to the District pursuant to a Limited Purpose Assignment dated April 2, 2024. The Hartland Water Assignment sets forth the terms and conditions pursuant to which Maxwell SUD agreed to provide up to 299 equivalent single family connections ("LUEs") of retail water service to customers within Hartland Ranch.

Maxwell SUD has agreed to provide retail water service to that portion of the District being developed as Juniper Springs pursuant to a Non-Standard Water and Wastewater Service Agreement executed by the District, Phau-Lockhart 450, LLC, and Maxwell SUD (the "Juniper Springs Service Agreement"). The Juniper Springs Service Agreement sets forth the terms and conditions pursuant to which Maxwell SUD has agreed to provide 1,500 LUEs of retail water and wastewater service to that portion of the District being developed as Juniper Springs.

Maxwell SUD owns and operates groundwater production facilities and is a member of the Canyon Regional Water Authority ("CRWA"). CRWA provides water to Maxwell SUD pursuant to the Amended and Restated Contract, entered into in connection with the acquisition and construction of the Hays/Caldwell Counties Area Project. CRWA and the Guadalupe Blanco River Authority ("GBRA") entered into a water purchase contract dated as of June 16, 1999, as amended, which provides for the purchase of water by CRWA. The annual commitment under the contract is 2,908 acre feet of water per year for use to supply Maxwell SUD and participating members. The contract expires on December 31, 2039, subject to renewal or extension on such terms as may be agreed upon by GBRA and CRWA.

Source of Wastewater Treatment: Wastewater treatment and disposal services for the Hartland Ranch development is provided by cluster onsite septic systems operated by the District. Each septic system is capable of handling maximum flows of 4,800 gallons per day of wastewater. Hartland Ranch Phase 1 has a total of six septic systems capable of serving 95 ESFCs. The County approved the construction plans for the septic systems. The District provides retail wastewater service to customers within Hartland Ranch.

The Juniper Springs Service Agreement sets forth the terms and conditions pursuant to which Maxwell SUD has agreed to provide retail wastewater service to those lands within the District being developed as Juniper Springs. The service agreement generally obligates Phau-Lockhart 450, LLC to fund and construct the wastewater treatment plant and collection system facilities for subsequent conveyance to the District and to Maxwell SUD.

100-Year Flood Plain and Storm Drainage Information: Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (FEMA) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. According to the District’s Engineer, approximately 60 acres of land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map.

In 2018, the National Weather Service completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. In particular, the study shows that Central Texas is more likely to experience larger storms than previously thought. Flood plain boundaries within the District may be redrawn based on the Atlas 14 study based on the higher statistical rainfall amount, and could mean higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the flood plain.

Use and Distribution of Bond Proceeds

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

CONSTRUCTION RELATED COSTS

Hartland Ranch Phase 1 - Wastewater	\$902,480
Hartland Ranch Phase 1, Part 2 – Wastewater	910,464
Water Impact Fees	166,250
Hartland Ranch Phase 1 Pond and Drainage Channel Land Cost	<u>333,166</u>
Total Construction Related Costs.....	\$2,312,360

NON-CONSTRUCTION COSTS

Bond Discount ^(a)	\$94,018
Capitalized Interest ^(a)	219,356
Operating Cost	116,500
Interest on Construction Costs (Estimated).....	141,428
Contingency ^(b)	<u>17,376</u>
Total Non-Construction Costs	\$588,678

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees	\$195,937
Bond Engineering Report Costs.....	42,000
State Regulatory Fees	<u>11,025</u>
Total Issuance Costs and Fees.....	\$248,962

TOTAL BOND ISSUE REQUIREMENT \$3,150,000

(a) The TCEQ approved a maximum amount of \$236,250 of capitalized interest, which equals eighteen (18) months of interest at an estimated interest rate of 5.00% per annum and a maximum bond discount of \$94,500, or 3% of the Bonds.
 (b) Contingency represents the difference in the estimated amount and actual amount of bond discount and capitalized interest.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that proceeds of the sale of the Bonds should be sufficient to pay the costs of the above-described facilities. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE ROAD SYSTEM

All roadways and associated improvements are designed and constructed in accordance with County standards, rules, and regulations. Upon acceptance of roadway facilities, the County will be responsible for operation and maintenance thereof.

Use and Distribution of Bond Proceeds

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

CONSTRUCTION RELATED COSTS

Hartland Ranch Phase 1 – Water, Drainage, Road	\$1,323,674
Engineering and Testing	139,822
Hartland Ranch Phase 1 ROW Land Cost	<u>304,642</u>
Total Construction Related Costs.....	\$1,768,138

NON-CONSTRUCTION COSTS

Bond Discount	\$68,943
Capitalized Interest	161,128
Interest on Construction Costs (Estimated).....	139,153
Contingency ^(a)	<u>11,954</u>
Total Non-Construction Costs	\$381,178

ISSUANCE COSTS AND FEES

Issuance Costs and Professional Fees	\$144,159
Bond Engineering Report Costs.....	9,220
State Regulatory Fees	<u>2,305</u>
Total Issuance Costs and Fees.....	\$155,684

TOTAL BOND ISSUE REQUIREMENT **\$2,305,000**

(a) Contingency represents the difference in the estimated amount and actual amount of bond discount and capitalized interest.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/05/2019	Water, Sanitary Sewer and Drainage	\$225,000,000	\$3,150,000 ^(a)	\$221,850,000
11/05/2019	Road Facilities	\$145,000,000	\$2,305,000 ^(a)	\$142,695,000

(a) Includes the Bonds.

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FINANCIAL STATEMENT

2024 Taxable Assessed Valuation.....	\$26,072,583 ^(a)
Estimated Taxable Assessed Valuation as of September 1, 2024	\$67,290,000 ^(b)
 District Debt:	
Outstanding Bonds (as of September 1, 2024).....	\$0
The Bonds	<u>5,455,000</u>
Gross Direct Debt Outstanding (after issuance of the Bonds).....	\$5,455,000
 Ratio of Gross Direct Debt to 2024 Taxable Assessed Valuation.....	
	20.92%
 Ratio of Gross Direct Debt to Estimated Taxable Assessed Valuation as of September 1, 2024.....	
	8.11%

Area of District – 661 acres
Estimated 2024 Population – 228^(c)

-
- (a) As certified by the Caldwell Central Appraisal District (the “Appraisal District”). See “TAX PROCEDURES.”
 - (b) As estimated by the Appraisal District as of September 1, 2024 for informational purposes only. Such amount reflects an estimate of the taxable land and improvements value within the District on September 1, 2024. This estimate has no official status. Taxes are levied based on value as certified by the Appraisal District as of January 1 of each year. Consequently, this estimate will not be used to produce tax revenue for the District. See “TAX PROCEDURES.”
 - (c) Estimate based on 3.5 persons per occupied home.

Cash and Investment Balances (unaudited as of September 10, 2024)

General Fund	Cash and Temporary Investments	\$22,477
Debt Service Fund	Cash and Temporary Investments	\$0 ^(a)

-
- (a) Does not include eighteen (18) months of capitalized interest which will be deposited into such fund from System Bond proceeds (\$219,356) or eighteen (18) months of capitalized interest which will be deposited into such fund from Road Bond proceeds (\$161,128). Neither the Bond Resolutions nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

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ESTIMATED OVERLAPPING DEBT STATEMENT

Expenditures of the various taxing entities within the territory of the District are paid out of ad valorem taxes levied by such entities on properties within the District. Such entities are independent of the District and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds (“Tax Debt”) was developed from information contained in the “Texas Municipal Reports” published by the Municipal Advisory Council of Texas. Except for the amounts relating to the District, the District has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of the overlapping Tax Debt of the District.

<u>Taxing Jurisdiction</u>	<u>Outstanding Bonds^(a)</u>	<u>As of</u>	<u>Overlapping</u>	
			<u>Percent</u>	<u>Amount</u>
Caldwell County	\$14,010,000	09/30/24	0.17%	\$23,817
Lockhart Independent School District.....	120,276,145	09/30/24	0.27%	<u>324,746</u>
Total Estimated Overlapping Debt				\$348,563
The District.....	\$5,455,000 ^(b)		100.00%	<u>5,455,000</u>
Total Direct and Estimated Overlapping Debt				\$5,803,563
Ratio of Total Direct and Estimated Overlapping Debt to 2024 Certified Taxable Assessed Valuation.....				22.26%
Ratio of Total Direct and Estimated Overlapping Debt to Estimated Taxable Assessed Valuation as of September 1, 2024				8.62%

- (a) Includes principal amounts of current interest bonds and capital appreciation bonds. Capital appreciation bonds are shown at original principal amount as opposed to maturity value.
(b) Includes the Bonds.

Overlapping Tax Rates for 2024

	<u>2024 Tax Rate per \$100 Assessed Valuation</u>
Caldwell County	\$0.4390
Caldwell County Farm to Market Road	0.0001
Lockhart Independent School District	0.9546
Plum Creek Conservation District	0.0140
Plum Creek Underground Water District	0.0158
The District	<u>0.9500</u>
Total Overlapping Tax Rate	\$2.3735

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TAX DATA

Tax Collections

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. This summary has been prepared for inclusion herein, based upon information from District records. Reference is made to these records for further and more complete information.

<u>Tax</u> <u>Year</u>	<u>Assessed</u> <u>Valuation</u>	<u>Tax</u> <u>Rate</u>	<u>Tax</u> <u>Levy</u>	<u>Total Collections</u> <u>as of 07/31/2024</u>	
				<u>Amount</u>	<u>Percent</u>
2022 ^(a)	\$1,401,540	\$0.95	\$13,314	\$13,314	100.00%
2023	8,224,270	0.95	72,224	72,224	100.00
2024	26,072,583	0.95	247,690	(in process of collection)	

(a) Initial year of tax levy.

Taxes are due when billed and become delinquent if not paid before February 1 of the year following the year in which imposed. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Debt Service	\$0.00	\$0.00	\$0.00
Maintenance and Operations	<u>0.95</u>	<u>0.95</u>	<u>0.95</u>
Total	\$0.95	\$0.95	\$0.95

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).
 Maintenance and Operations: \$1.00 per \$100 assessed valuation.

Debt Service Tax

The Board covenants in each Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2024 tax year, the Board did not levy a debt service tax.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 5, 2019, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. For the 2024 tax year, the Board levied a maintenance tax in the amount of \$0.95 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

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.

Additional Penalties

The District has contracted with Caldwell County to collect delinquent taxes. Caldwell County has contracted with a delinquent tax attorney to collect certain delinquent taxes. The contract establishes an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than May 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Texas Property Tax Code. See "TAX PROCEDURES – Levy and Collection of Taxes."

Principal Taxpayers

The following list of principal taxpayers was provided by the District’s Tax Assessor/Collector based upon the 2024 tax roll.

<u>Taxpayer</u>	<u>Type of Property</u>	<u>2024 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Continental Homes of Texas LP ^(a)	Land and Improvements	\$ 6,251,910	23.98%
Ranch Road Hartland LLC ^(b)	Land and Improvements	1,282,490	4.92%
Homeowner	House and Lot	441,620	1.69%
Homeowner	House and Lot	433,570	1.66%
Homeowner	House and Lot	433,570	1.66%
Homeowner	House and Lot	433,570	1.66%
Homeowner	House and Lot	433,560	1.66%
Homeowner	House and Lot	422,720	1.62%
Homeowner	House and Lot	422,360	1.62%
Homeowner	House and Lot	<u>419,650</u>	<u>1.61%</u>
		<u>\$10,975,020</u>	<u>42.08%</u>

- (a) The currently active homebuilder within the District.
- (b) The Developer, also referred to herein as Hartland.

Summary of Assessed Valuation

The following summary of the 2024, 2023 and 2022 Assessed Valuation is provided by the District’s Tax Assessor/Collector based on information contained in the 2024, 2023 and 2022 tax rolls of the District. Differences in values from other information herein are due to differences in dates of information provided.

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Land	\$11,898,489	\$13,559,640	\$3,750,870
Improvements	20,876,185	6,010	4,130
Personal Property	0	0	0
Exemptions and Deferments	<u>(6,702,091)</u>	<u>(5,341,380)</u>	<u>(2,353,460)</u>
Total Assessed Valuation	<u>\$26,072,583</u>	<u>\$8,224,270</u>	<u>\$1,401,540</u>

Tax Adequacy for Debt Service

The calculation shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2024 Taxable Assessed Valuation and the Estimated Taxable Assessed Valuation as of September 1, 2024, no use of available funds, and utilize tax rates necessary to pay the District’s average annual debt service requirements on the Bonds.

Average annual debt service requirement (2025-2049)	\$369,910
\$1.50 tax rate on the 2024 Taxable Assessed Valuation of \$26,072,583 at a 95% collection rate produces	\$371,534
\$0.58 tax rate on the Estimated Taxable Assessed Valuation as of September 1, 2024 of \$67,290,000 at a 95% collection rate produces	\$370,768

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TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State of Texas, including the District. The District must also follow tax procedures found in the Texas Water Code. These statutory provisions are complex and are not fully summarized here.

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

Property Subject to Taxation by the District

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) (not less than \$5,000) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See “TAX DATA.”

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. Generally, assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code. In determining market value, either the replacement cost or the income or the market data method of valuation may be used, whichever is appropriate. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. Increases in the appraised value of residence homesteads are limited by the Texas Constitution to 10 percent annually regardless of the market value of the property.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land’s capacity to produce agricultural or timber products rather than at its market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant’s right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within

the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

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

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

District and Taxpayer Remedies

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead 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 1.08 times the previous year’s operation and maintenance tax rate.

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, 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 1.035 times the previous year’s operation and maintenance tax rate plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District’s adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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 1.08 times the previous year’s operation and maintenance tax rate.

The District

According to the District’s Board of Directors, the District is considered a Developing District as of the 2024 tax year. The District cannot give any assurances as to what its classification will be at any point in time or whether the District’s future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District’s Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property 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 taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having power to tax the property. The District’s tax lien is on a parity with tax liens of such other taxing units (see “ESTIMATED OVERLAPPING DEBT STATEMENT – Overlapping Tax Rates for 2024”). 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 cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. 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 "RISK FACTORS."

GENERAL FUND OPERATIONS

General

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. Net revenues, if any, derived from 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. It is not expected that significant net revenues, if any, will be available for debt service.

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Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal year ended September 30, 2023. The unaudited summary shown below for the period ended July 31, 2024 has been provided by the Bookkeeper. Reference is made to such statements for further and more complete information.

	10/01/2023 to 7/31/2024 ^(a)	Fiscal Year Ended Sept. 30, 2023 ^(b)
REVENUES:		
Property taxes, including penalties	\$ 72,419	\$ 13,315
Service account revenues, including penalties	103,041	3,265
Connection/inspection fees	17,424	21,296
Interest and other	640	157
TOTAL REVENUES	<u>\$ 193,524</u>	<u>\$ 38,033</u>
EXPENDITURES:		
Current:		
Management/operations	\$ 4,663	\$ 1,933
Repairs/maintenance	33,556	2,960
Connection/inspection fees	23,785	3,225
Director fees, including payroll taxes	3,577	2,422
Legal fees	26,561	19,583
Bookkeeping fees	11,104	4,050
Engineering fees	31,206	20,224
Audit fees	8,000	-
Insurance	2,730	1,388
Tax appraisal/collection fees	1,623	378
Website maintenance	460	460
Bank fees	-	3,306
Miscellaneous expenditures	7,519	-
Capital Outlay	27,012	-
TOTAL EXPENDITURES	<u>\$ 181,796</u>	<u>\$ 59,929</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,728</u>	<u>(21,896)</u>
OTHER FINANCING SOURCES -		
Developer advances	-	28,000
NET CHANGE IN FUND BALANCE	11,728	6,104
FUND BALANCE:		
Beginning of the year	6,490	386
End of the year	<u>\$ 18,218</u>	<u>\$ 6,490</u>

(a) Unaudited, prepared by the Bookkeeper.

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

DEBT SERVICE REQUIREMENTS

The following sets forth the debt service requirements for each series of Bonds.

Year	Debt Service on the System Bonds			Debt Service on the Road Bonds			Total Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total	
2025		\$ 114,146	\$ 114,146		\$ 83,846	\$ 83,846	\$ 197,993
2026	\$ 70,000	146,238	216,238	\$ 50,000	107,419	157,419	373,656
2027	75,000	141,513	216,513	55,000	104,044	159,044	375,556
2028	80,000	136,450	216,450	55,000	100,331	155,331	371,781
2029	80,000	131,050	211,050	60,000	96,619	156,619	367,669
2030	85,000	125,650	210,650	65,000	92,569	157,569	368,219
2031	90,000	120,125	210,125	65,000	89,725	154,725	364,850
2032	95,000	116,300	211,300	70,000	86,881	156,881	368,181
2033	100,000	112,263	212,263	75,000	83,819	158,819	371,081
2034	105,000	108,013	213,013	75,000	80,538	155,538	368,550
2035	110,000	103,550	213,550	80,000	77,256	157,256	370,806
2036	115,000	98,875	213,875	85,000	73,756	158,756	372,631
2037	120,000	93,844	213,844	90,000	70,038	160,038	373,881
2038	125,000	88,594	213,594	95,000	66,100	161,100	374,694
2039	135,000	83,125	218,125	100,000	61,944	161,944	380,069
2040	140,000	77,219	217,219	100,000	57,569	157,569	374,788
2041	145,000	71,094	216,094	105,000	53,194	158,194	374,288
2042	155,000	64,750	219,750	115,000	48,600	163,600	383,350
2043	160,000	57,969	217,969	120,000	43,425	163,425	381,394
2044	170,000	50,969	220,969	125,000	38,025	163,025	383,994
2045	180,000	43,531	223,531	130,000	32,400	162,400	385,931
2046	190,000	35,656	225,656	135,000	26,550	161,550	387,206
2047	200,000	27,344	227,344	145,000	20,475	165,475	392,819
2048	205,000	18,594	223,594	150,000	13,950	163,950	387,544
2049	220,000	9,625	229,625	160,000	7,200	167,200	396,825
Total	\$ 3,150,000	\$ 2,176,484	\$ 5,326,484	\$ 2,305,000	\$ 1,616,271	\$ 3,921,271	\$ 9,247,756

Average Annual Debt Service Requirements (2025-2049)	\$369,910
Maximum Annual Debt Service Requirements (2049)	\$396,825

LEGAL MATTERS

Legal Proceedings

Delivery of each series of Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that such 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 by the District, 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 approving legal opinion of McLean & Howard, L.L.P., Bond Counsel (“Bond Counsel”), to a like effect and the opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel (“Special Tax Counsel”), to the matters set forth in “TAX MATTERS.” Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for the matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion.

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

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

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

The legal fees paid to Bond Counsel and Special Tax Counsel for services rendered in connection with the issuance of the Bonds of each series are contingent upon the sale and delivery of the Bonds.

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish each Initial Purchaser a certificate, executed by both the President and Secretary of the Board, and dated as of the date of delivery of the applicable series of Bonds, to the effect that no litigation of any nature is pending or to its knowledge threatened, either in state or federal courts, contesting or attacking such Bonds; restraining or enjoining the levy, assessment and collection of ad valorem taxes to pay the interest or the principal of such Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of such Bonds; or affecting the validity of such Bonds or the title of the present officers of the District.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof (“Existing Law”) for Federal income tax purposes interest on the Bonds (1) will be excludable from the “gross income” of the holders thereof and (2) the Bonds will not be treated as “specified private activity bonds” the interest on which would be included as an alternative minimum tax preference under Section 57(a)(5) of the Internal Revenue Code of 1986 (the “Code”). Except as stated above, Special Tax Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds.

In rendering its opinion, Special Tax Counsel will rely upon (a) the opinion of McLean & Howard, L.L.P., Bond Counsel, that the Bonds are valid and binding obligations of the District payable from proceeds of a generally applicable ad valorem tax, (b) the District's federal tax certificate, and (c) covenants of the District relating to, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 55(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt obligation, other than “private activity bonds,” that are designated by a “qualified small issuer” as “qualified tax-exempt obligations.” A “qualified small issuer” is any governmental issuer (together with any “on-behalf of” and “subordinate” issuers) who issues no more than \$10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the code defines the term “financial institution” as any “bank” described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person’s trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to “qualified tax-exempt obligations” provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a “bank,” as defined in Section 585(1)(2) of the Code, for interest on indebtedness incurred or continued to purchase “qualified tax-exempt obligations” shall be reduced by twenty-percent (20%) as a “financial institution preference item.”

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets (the “System Bonds Initial Purchaser”) bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.015% of the principal amount thereof which resulted in a net effective interest rate of 4.625772% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

After requesting competitive bids for the Road Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets (the “Road Bonds Initial Purchaser”) bearing the interest rates shown on the inside cover page hereof, at a price of approximately 97.009% of the principal amount thereof which resulted in a net effective interest rate of 4.696914% as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended.

Prices and Marketability

The delivery of each series of 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 such Bonds stating the prices at which such Bonds have been offered for sale to the public. Otherwise, the District has no understanding with either Initial Purchaser regarding the reoffering yields or prices of the Bonds of a particular series. Information concerning reoffering yields or prices is the responsibility of the appropriate Initial Purchaser.

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

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

Securities Laws

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

No Municipal Bond Rating

No application has been made to a municipal bond rating company for a rating on the Bonds, and it is expected that had application been made for a rating, the District would not have received an investment grade rating on the Bonds.

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

Appraisal District: The information contained in this Official Statement relating to the assessed valuations has been provided by the Appraisal District and has been included herein in reliance upon the authority of such entity as experts in assessing the values of property in Caldwell County, including the District.

Tax Assessor/Collector: The information contained in this Official Statement relating to the historical breakdown of the Assessed Valuations, principal taxpayers, and certain other historical data concerning tax rates and tax collections has been provided by the Appraisal District and the Caldwell County Tax Assessor/Collector, and is included herein in reliance upon their authority as experts in assessing and collecting taxes.

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

Bookkeeper: The information related to the “unaudited” summary of the District’s General Fund has been provided by Bott & Douthitt PLLC and is included herein in reliance upon the authority of such firm as experts in the tracking and managing the various funds of municipal utility districts.

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the SEC regarding the District’s continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other arrangement with respect to payment of the Bonds. As required by the exemption, in each Bond Resolution, the District has made the following agreement for the benefit of the

holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under each agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”), or any successor, through EMMA. The District may provide updated financial information in full text or may incorporate by reference documents available on EMMA or filed with the SEC.

Annual Reports

The District will provide certain financial information and operating data annually to the MSRB. In addition, the District has agreed to provide information with respect to the Developer, any person or entity to whom the Developer voluntarily assigns (except as collateral) the right to receive a payment out of the proceeds from the sale of the bonds of the District, and each other person or entity, if any, to whom the District voluntarily makes or agrees or has agreed to make a payment out of such proceeds. The District will be obligated to provide information concerning the Developer and any such other person or entity only if and so long as (1) such persons own more than 20% of the taxable property within the District by value, as reflected by the most recently certified tax rolls (and without effect to special valuation provisions), (2) such persons have made tax or other payments to the District which were used or available to pay more than 20% of the District’s debt service requirements in the applicable fiscal year, or (3) at the end of such fiscal year such persons are obligated to the District to provide or pay for District facilities or debt in an amount which exceeds 20% of the amount of the District’s bonds then outstanding. The financial information and operating data which will be provided with respect to the District will be the District’s audited financial statements and supplemental schedules as found in “APPENDIX A – Audited Financial Statements.” The District will update and provide this information within six months after the end of each of its fiscal years ending in or after 2024, if such audited financial statements are then available. Any information concerning the District so provided shall be prepared in accordance with generally accepted auditing standards or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report of the District is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six month period, and audited financial statements when the audit report becomes available.

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

Event Notices

The District will provide timely notices of certain specified events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) nonpayment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR §240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties. The term “material” when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the applicable Bond Resolution makes any provision for debt service reserves, credit enhancement, or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under “Annual Reports.”

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The District has not previously entered into a continuing disclosure agreement pursuant to Rule 15c2-12.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Caldwell County Municipal Utility District No. 2, as of the date shown on the cover page.

/s/ John Casey Roy
President, Board of Directors
Caldwell County Municipal Utility District No. 2

ATTEST:

/s/ Rene Abrego
Secretary, Board of Directors
Caldwell County Municipal Utility District No. 2

PHOTOGRAPHS OF THE DISTRICT

The following photographs were taken in the District in October 2024, solely to illustrate the type of improvements which have been constructed in the District. The District cannot predict if any additional improvements will be constructed in the future.







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APPENDIX A

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

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McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

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

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

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caldwell County Municipal Utility District No. 2
Caldwell County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of Caldwell County Municipal Utility District No. 2 (the "District") as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 5, 2024

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023

In accordance with Governmental Accounting Standards Board Statement No. 34 ("GASB 34"), the management of Caldwell County Municipal Utility District No. 2 (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 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 unassigned fund balance was \$6,490, an increase of \$6,104 from the previous fiscal year. General Fund revenues were \$38,033 and developer advances were \$28,000 in the current fiscal year while expenditures were \$59,929.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$21,896 during the current fiscal year. Net position decreased from a deficit balance of \$88,114 at September 30, 2022 to a deficit balance of \$110,010 at September 30, 2023.

OVERVIEW OF THE DISTRICT

The District was created on May 22, 2019 pursuant to Acts of the 86th Legislature, Senate Bill No. 871, and codified by Chapter 8053 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 505 acres of land in Caldwell County near the intersection of State Highway 142 and TX-130 Toll Road, east of the City of Lockhart, Texas.

**CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

USING THIS ANNUAL REPORT

This annual report consists of four parts:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2023	2022*	
Current and other assets	\$ 34,998	\$ 3,657	\$ 31,341
Capital and non-current assets	-	-	-
Total Assets	\$ 34,998	\$ 3,657	\$ 31,341
Current liabilities	\$ 28,508	\$ 3,271	\$ 25,237
Long-term liabilities	116,500	88,500	28,000
Total Liabilities	\$ 145,008	\$ 91,771	\$ 53,237
Unrestricted	(110,010)	(88,114)	(21,896)
Total Net Position	\$ (110,010)	\$ (88,114)	\$ (21,896)

* Unaudited

The District's net position decreased by \$21,896 to a deficit balance of \$110,010 from the previous year's deficit balance of \$88,114.

**CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

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

Revenues and Expenses:

Summary Statement of Activities

	Activities		Change Increase (Decrease)
	2023	2022*	
Property taxes, including penalties	\$ 13,315	\$ -	\$ 13,315
Service and connection/inspection fees	24,561	-	24,561
Interest and other revenue	157	-	157
Total Revenues	\$ 38,033	\$ -	\$ 38,033
Professional fees	\$ 43,857	\$ 37,733	\$ 6,124
Recurring operating	16,072	7,119	8,953
Total Expenses	\$ 59,929	\$ 44,852	\$ 15,077
Change in Net Position	\$ (21,896)	\$ (44,852)	\$ 22,956
Beginning Net Position	(88,114)	(43,262)	(44,852)
Ending Net Position	\$ (110,010)	\$ (88,114)	\$ (21,896)

* Unaudited

Revenues were \$38,033 for the fiscal year ended September 30, 2023 while expenses were \$59,929. Net position decreased \$21,896 for the fiscal year ended September 30, 2023.

Property tax revenues in the current fiscal year totaled \$13,315. 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 (September 30, 2023 fiscal year) were based upon a current assessed value of \$1,401,540 and a tax rate of \$0.95 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 sources during fiscal years 2023 were property taxes and service account and connection/inspection fees.

**CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2023**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2023	2022 *	2021 *
Cash and cash equivalents	\$ 33,633	\$ 3,657	\$ 131
Accounts receivable	1,365	-	-
Total Assets	\$ 34,998	\$ 3,657	\$ 131
Liabilities	\$ 28,508	\$ 3,271	\$ 17,393
Total Liabilities	\$ 28,508	\$ 3,271	\$ 17,393
Unassigned	\$ 6,490	\$ 386	\$ (17,262)
Total Fund Balance	\$ 6,490	\$ 386	\$ (17,262)
Total Liabilities and Fund Balance	\$ 34,998	\$ 3,657	\$ 131

* - Unaudited

As of September 30, 2023, the District's governmental fund reflected a fund balance of \$6,490. For the year ended September 30, 2023, General Fund fund balance increased by \$6,104.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on September 22, 2022 for the 2023 fiscal year. The budget included projected revenues of \$13,315 and other financing sources of \$50,000 as compared to expenditures of \$55,450. When comparing actual results to budget, the District had a negative variance of \$1,761. 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 the 2023 tax year (September 30, 2024 fiscal year) is approximately \$8.2 million. The fiscal year 2024 tax rate is \$0.95 on each \$100 of taxable value, all of which will fund general operating expenses.

The adopted budget for fiscal year 2024 projects an increase of \$137,877 to the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of McLean & Howard, LLP, 4301 Bull Creek Blvd., Suite 150, Austin, TX 78731.

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FINANCIAL STATEMENTS

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Adjustments Note 2	Government - Wide Statement of Net Position
<u>ASSETS</u>			
Cash and cash equivalents:			
Cash	\$ 33,162	\$ -	\$ 33,162
Cash equivalents	471	-	471
Receivables -			
Service accounts, net of reserve for doubtful accounts of \$-0-	1,365	-	1,365
TOTAL ASSETS	\$ 34,998	-	34,998
<u>LIABILITIES</u>			
Accounts payable	\$ 19,408	\$ -	\$ 19,408
Deposits	9,100	-	9,100
Long-term liabilities -			
Due to developers	-	116,500	116,500
TOTAL LIABILITIES	\$ 28,508	\$ 116,500	\$ 145,008
<u>FUND BALANCE / NET POSITION</u>			
Fund balance -			
Unassigned	\$ 6,490	\$ (6,490)	\$ -
TOTAL FUND BALANCE	\$ 6,490	\$ (6,490)	\$ -
TOTAL LIABILITIES AND FUND BALANCE	\$ 34,998		
Net position:			
Unrestricted		(110,010)	(110,010)
TOTAL NET POSITION		\$ (110,010)	\$ (110,010)

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:			
Property taxes, including penalties	\$ 13,315	\$ -	\$ 13,315
Service account revenues, including penalties	3,265	-	3,265
Connection/inspection fees	21,296	-	21,296
Interest and other	157	-	157
TOTAL REVENUES	\$ 38,033	\$ -	\$ 38,033
EXPENDITURES / EXPENSES:			
Current:			
Management/operations	\$ 1,933	\$ -	\$ 1,933
Repairs/maintenance	2,960	-	2,960
Connection/inspection fees	3,225	-	3,225
Director fees, including payroll taxes	2,422	-	2,422
Legal fees	19,583	-	19,583
Bookkeeping fees	4,050	-	4,050
Engineering fees	20,224	-	20,224
Insurance	1,388	-	1,388
Tax appraisal/collection fees	378	-	378
Website maintenance	460	-	460
Bank fees	3,306	-	3,306
TOTAL EXPENDITURES / EXPENSES	\$ 59,929	\$ -	\$ 59,929
Excess (deficiency) of revenues over (under) expenditures / expenses	\$ (21,896)	\$ -	\$ (21,896)
OTHER FINANCING SOURCES -			
Developer advances	\$ 28,000	\$ (28,000)	\$ -
TOTAL OTHER FINANCING SOURCES	\$ 28,000	\$ (28,000)	\$ -
NET CHANGE IN FUND BALANCE	\$ 6,104	\$ (6,104)	\$ -
CHANGE IN NET POSITION		(21,896)	(21,896)
FUND BALANCE / NET POSITION:			
Beginning of the year	386	(88,500)	(88,114)
End of the year	\$ 6,490	\$ (116,500)	\$ (110,010)

The accompanying notes are an integral part of this statement.

**NOTES TO THE
FINANCIAL STATEMENTS**

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - The District was created on May 22, 2019 pursuant to Acts of the 86th Legislature, Senate Bill No. 871, and codified by Chapter 8053 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 Board held its first meeting on July 30, 2019, and the District was confirmed at an election held on November 5, 2019.

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.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 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, liabilities, fund balances, revenues and expenditures. The various funds are grouped by category and type in the financial statements. The District maintains the following fund type:

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

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

Basis of Accounting

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

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

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

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

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

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.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

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

Pensions - The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that Directors are considered to be “employees” for federal payroll tax purposes.

Cash and Cash Equivalent Investments - Includes cash on deposit as well as investments with maturities of three months or less. The investments, consisting of obligations in the State Comptroller'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 within the General Fund and Debt Service Fund 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.

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

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. Those fund balance classifications are described below.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

- Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. 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 detail of the fund balances is included in the Governmental Fund Balance Sheet on page FS-1.

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

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

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

2. RECONCILIATION OF THE GOVERNMENTAL FUND

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

Fund Balance - General Fund	\$ 6,490
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund - Developer advances	(116,500)
	<u>(116,500)</u>
Net Position - Governmental Activities	<u>\$ (110,010)</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	\$ 6,104
Amounts reported for governmental activities in the Statement of Activities are different because - Governmental funds report - Developer advances in year received	(28,000)
	<u>(28,000)</u>
Change in Net Position - Governmental Activities	<u>\$ (21,896)</u>

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

3. CASH AND CASH EQUIVALENT INVESTMENTS

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

Cash - At September 30, 2023, the carrying amount of the District's cash was \$33,162 and the bank balance was \$43,774. The bank balance was covered by federal depository insurance.

Cash Equivalents and Investments -

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; or
- Public funds investment pools rated AAA or AAAM by a nationally recognized rating agency.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments (continued) -

At September 30, 2023, the District held the following investments:

Investment	Fair Value at 9/30/2023	Governmental Fund		
		General	Investment Rating	
		Unrestricted	Rating	Rating Agency
TexPool	\$ 471	\$ 471	AAAm	Standard & Pools
	\$ 471	\$ 471		

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 Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

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 September 30, 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 September 30, 2023, the District’s bank deposits were fully covered by FDIC insurance.

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 Caldwell County Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Caldwell County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on September 22, 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 \$1,401,540 was \$0.95 on each \$100 valuation and was allocated solely to the General Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters at an election held on November 5, 2019.

Property taxes were fully collected at September 30, 2023.

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

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

5. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality. On November 5, 2019, a bond election held within the District approved authorization to issue \$225,000,000 of bonds to fund costs for water, wastewater and drainage system facilities and \$145,000,000 of road improvements. As of September 30, 2023, the District has not issued any unlimited tax bonds to reimburse the developer for District facility construction or road improvements. At September 30, 2023, the District has \$116,500 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.

7. RETAIL WATER AND WASTEWATER SUPPLY CONTRACTS

Effective January 27, 2022, the District, a developer (Ranch Road Hartland, LLC) and Maxwell Special Utility District ("Maxwell SUD") entered into a Non-Standard Retail Water Service Agreement (the "Water Service Agreement"). Pursuant to the Water Service Agreement, the District and the developer will design, finance and construct all infrastructure and facilities required to serve the Hartland Ranch Subdivision within the District. Upon construction completion, the water facilities will be conveyed to Maxwell SUD who agrees to accept ownership and operation of the District's water facilities and, thereafter, Maxwell SUD will provide retail water service to residents within the Hartland Ranch Subdivision. Residents of the Harland Ranch Subdivision will be served by a cluster septic system constructed by the developer and conveyed to the District for ownership and operation. The District will be the retail provider of wastewater service to residents within the Hartland Ranch Subdivision. The term of the Water Service Agreement is 20 years.

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2023

7. RETAIL WATER AND WASTEWATER SUPPLY CONTRACTS (continued) –

Effective August 24, 2022, the District, a developer (Phau-Lockhart 450, LLC) and Maxwell SUD entered into a Non-Standard Retail Water and Wastewater Service Agreement (the “Water and Wastewater Service Agreement”). Pursuant to the Water and Wastewater Service Agreement, the District and the developer will design, finance and construct all infrastructure and facilities required to serve the Juniper Springs Subdivision within the District. Upon construction completion, the water and wastewater facilities will be conveyed to Maxwell SUD who agrees to accept ownership and operation of the District’s water and wastewater facilities and, thereafter, Maxwell SUD will provide retail water and wastewater service to residents within the Juniper Springs Subdivision. The term of the Water and Wastewater Service Agreement is 40 years.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CALDWELL COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 13,315	\$ 13,315	\$ -
Service account revenues, including penalties	3,265	-	3,265
Connection/inspection fees	21,296	-	21,296
Interest and other	157	-	157
TOTAL REVENUES	<u>\$ 38,033</u>	<u>\$ 13,315</u>	<u>\$ 24,718</u>
EXPENDITURES:			
Current:			
Management/operations	\$ 1,933	\$ -	\$ (1,933)
Repairs/maintenance	2,960	-	(2,960)
Connection/inspection fees	3,225	-	(3,225)
Director fees, including payroll taxes	2,422	3,250	828
Legal fees	19,583	30,000	10,417
Bookkeeping fees	4,050	4,750	700
Engineering fees	20,224	9,000	(11,224)
Financial advisor fees	-	3,000	3,000
Insurance	1,388	1,500	112
Tax appraisal/collection fees	378	200	(178)
Website maintenance	460	-	(460)
Bank fees	3,306	-	(3,306)
Miscellaneous expenditures	-	3,750	3,750
TOTAL EXPENDITURES	<u>\$ 59,929</u>	<u>\$ 55,450</u>	<u>\$ (4,479)</u>
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (21,896)</u>	<u>\$ (42,135)</u>	<u>\$ 20,239</u>
OTHER FINANCING SOURCES -			
Developer advances	\$ 28,000	\$ 50,000	\$ (22,000)
TOTAL OTHER FINANCING SOURCES	<u>\$ 28,000</u>	<u>\$ 50,000</u>	<u>\$ (22,000)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 6,104</u>	<u>\$ 7,865</u>	<u>\$ (1,761)</u>
FUND BALANCE:			
Beginning of the year	<u>386</u>		
End of the year	<u>\$ 6,490</u>		



SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES