OFFICIAL STATEMENT DATED DECEMBER 5, 2024

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES AND INTEREST ON THE BONDS IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS. SEE "TAX MATTERS" FOR A DISCUSSION OF BOND COUNSEL'S OPINION.

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

NEW ISSUE – Book-Entry-Only **S&P Global Ratings (AG Insured) ...."AA"**

See "MUNICIPAL BOND INSURANCE" and "RATING"

REDBIRD RANCH WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

(A political subdivision of the State of Texas, located within Medina and Bexar Counties, Texas)

$7,100,000 **Unlimited Tax Bonds** **Series 2024**	**$4,245,000** **Unlimited Tax Road Bonds** **Series 2024**

Dated: December 1, 2024 **Due: September 1, as shown on the inside cover**
Interest Accrues from: Date of Delivery

The $7,100,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Bonds, Series 2024 (the "System Bonds") and the $4,245,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds," and together with the System Bonds, the "Bonds") are obligations of Redbird Ranch Water Control and Improvement District No. 2 (the "District") and are not obligations of the State of Texas; Medina County, Texas; Bexar County, Texas; or any entity other than the District.

The Bonds are dated December 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about December 20, 2024) ("Date of Delivery"), at the rates set forth on the inside cover, and is payable March 1, 2025, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the registered owners of the Bonds (the "Registered Owners") at BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"), upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date. The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

The Bonds will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, 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 discussed under "THE BONDS – Book-Entry-Only System."

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under two separate insurance policies (each a "Policy") to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY INC. ("AG").**

ASSURED GUARANTY

The System Bonds are the third series of bonds issued by the District out of an aggregate of $225,883,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the "Utility System") and $225,883,000 for the further purpose of refunding such bonds. The Road Bonds are the second series of bonds issued by the District out of an aggregate of $121,635,000 principal amount of unlimited tax bonds authorized by the District's voters for the purpose of acquiring or constructing road improvements to serve the District (the "Road System") and $121,635,000 for the further purpose of refunding such bonds. In addition, the voters of the District have authorized the issuance of an aggregate of $102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing parks and recreational facilities to serve the District (the "Park System") and $102,088,000 for the further purpose of refunding such bonds. Following the issuance of the Bonds, $207,318,000 principal amount of unlimited tax bonds for the Utility System; $110,040,000 principal amount of unlimited tax bonds for the Road System; and $102,088,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued. All refunding authorizations remain unissued. See "THE BONDS—Authority for Issuance."

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of two separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein. Investment in the Bonds is subject to special risk factors as described herein. See "RISK FACTORS."

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the Initial Purchasers, and are subject to the approval of the Attorney General of Texas and of Allen Boone Humphries Robinson LLP, Houston, Texas, Bond Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about December 20, 2024.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS

$7,100,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Bonds, Series 2024

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 75724P (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 75724P (b)
2025	$ 235,000	6.500%	3.200%	AA9	2038 (c)	$ 280,000	4.000%	3.900%	AP6
2026	165,000	6.500%	3.200%	AB7	2039 (c)	290,000	4.000%	3.950%	AQ4
2027	170,000	6.500%	3.200%	AC5	2040 (c)	305,000	4.000%	4.000%	AR2
2028	180,000	6.500%	3.200%	AD3	2041 (c)	320,000	4.000%	4.050%	AS0
2029	190,000	6.500%	3.250%	AE1	2042 (c)	335,000	4.000%	4.080%	AT8
2030 (c)	195,000	5.125%	3.300%	AF8	2043 (c)	345,000	4.000%	4.110%	AU5
2031 (c)	205,000	4.000%	3.350%	AG6	2044 (c)	365,000	4.000%	4.140%	AV3
2032 (c)	215,000	4.000%	3.400%	AH4	2045 (c)	380,000	4.000%	4.170%	AW1
2033 (c)	225,000	4.000%	3.450%	AJ0	2046 (c)	395,000	4.000%	4.200%	AX9
2034 (c)	235,000	4.000%	3.550%	AK7	2047 (c)	415,000	4.000%	4.220%	AY7
2035 (c)	245,000	4.000%	3.650%	AL5	2048 (c)	435,000	4.000%	4.240%	AZ4
2036 (c)	255,000	4.000%	3.750%	AM3	2049 (c)	455,000	4.000%	4.250%	BA8
2037 (c)	265,000	4.000%	3.850%	AN1					

$4,245,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Road Bonds, Series 2024

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 75724P (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 75724P (b)
2025	$ 140,000	6.500%	3.200%	BB6	2038 (c)	$ 165,000	4.000%	3.900%	BQ3
2026	100,000	6.500%	3.200%	BC4	2039 (c)	175,000	4.000%	3.950%	BR1
2027	105,000	6.500%	3.200%	BD2	2040 (c)	180,000	4.000%	4.000%	BS9
2028	110,000	6.500%	3.200%	BE0	2041 (c)	190,000	4.000%	4.050%	BT7
2029	110,000	6.500%	3.250%	BF7	2042 (c)	200,000	4.000%	4.080%	BU4
2030 (c)	115,000	5.375%	3.300%	BG5	2043 (c)	210,000	4.000%	4.110%	BV2
2031 (c)	125,000	4.000%	3.350%	BH3	2044 (c)	215,000	4.000%	4.140%	BW0
2032 (c)	130,000	4.000%	3.400%	BJ9	2045 (c)	225,000	4.000%	4.170%	BX8
2033 (c)	135,000	4.000%	3.450%	BK6	2046 (c)	235,000	4.000%	4.200%	BY6
2034 (c)	140,000	4.000%	3.550%	BL4	2047 (c)	250,000	4.000%	4.220%	BZ3
2035 (c)	145,000	4.000%	3.650%	BM2	2048 (c)	260,000	4.000%	4.240%	CA7
2036 (c)	155,000	4.000%	3.750%	BN0	2049 (c)	270,000	4.000%	4.250%	CB5
2037 (c)	160,000	4.000%	3.850%	BP5					

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

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

(c) The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds."

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 herein, and, if given or made, such other information or representations must not be relied upon as having been authorized by the District or the Initial Purchasers.

All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are available from Bond Counsel upon payment of duplication costs, for further information.

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

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

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 discussed herein since the date hereof. The District has agreed to keep this Official Statement current by amendment or sticker to reflect material changes in the affairs of the District and to the extent such information actually comes to its attention, the other matters discussed herein, until delivery of the Bonds to the Initial Purchasers and thereafter only as discussed under "OFFICIAL STATEMENT – Updating of Official Statement."

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

TABLE OF CONTENTS

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.007319% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.272845%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

After requesting competitive bids for the Road Bonds, the District has accepted the bid resulting in the lowest net effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchasers") to purchase the Road Bonds bearing the interest rates shown on the inside cover under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS, AND CUSIPS" at a price of 97.002690% of the par value thereof plus accrued interest to the date of delivery, which resulted in a net effective interest rate of 4.276132%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

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

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time-to-time by the Initial Purchasers after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the bonds into investment accounts.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE INITIAL PURCHASERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, AG will issue a separate Municipal Bond Insurance Policy for each series of the Bonds (each a "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an appendix to this Official Statement.

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

Assured Guaranty Inc.

AG is a Maryland domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL" and together with its subsidiaries, "Assured Guaranty"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership interests in Sound Point Capital Management, LP and certain of its investment management affiliates. Only AG is obligated to pay claims under the insurance policies AG has issued, and not AGL or any of its shareholders or other affiliates.

AG's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AG should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AG in its sole discretion. In addition, the rating agencies may at any time change AG's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AG. AG only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AG on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Merger of Assured Guaranty Municipal Corp. Into Assured Guaranty Inc.

On August 1, 2024, Assured Guaranty Municipal Corp., a New York domiciled financial guaranty insurance company and an affiliate of AG ("AGM"), merged with and into AG, with AG as the surviving company (such transaction, the "Merger"). Upon the Merger, all liabilities of AGM, including insurance policies issued or assumed by AGM, became obligations of AG.

Current Financial Strength Ratings

On October 18, 2024, KBRA announced it had affirmed AG's insurance financial strength rating of "AA+" (stable outlook).

On July 10, 2024, Moody's, following Assured Guaranty's announcement of the Merger, announced that it had affirmed AG's insurance financial strength rating of "A1" (stable outlook).

On May 28, 2024, S&P announced it had affirmed AG's financial strength rating of "AA" (stable outlook). On August 1, 2024, S&P stated that following the Merger, there is no change in AG's financial strength rating of "AA" (stable outlook).

AG can give no assurance as to any further ratings action that S&P, Moody's and/or KBRA may take. For more information regarding AG's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2023.

Capitalization of AG

At September 30, 2024:

- The policyholders' surplus of AG was approximately $3,644 million.
- The contingency reserve of AG was approximately $1,374 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately $2,438 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AG, and (ii) the net unearned premium reserves and net deferred ceding commissions of AG's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK"), and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus, contingency reserve, and net unearned premium reserves and net deferred ceding commission income of AG were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the SEC that relate to AG are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (filed by AGL with the SEC on February 28, 2024);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2024 (filed by AGL with the SEC on May 8, 2024);

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2024 (filed by AGL with the SEC on August 8, 2024); and

(iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2024 (filed by AGL with the SEC on November 12, 2024).

All information relating to AG included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Inc.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AG included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Inc." or included in a document incorporated by reference herein (collectively, the "AG Information") shall be modified or superseded to the extent that any subsequently included AG Information (either directly or through incorporation by reference) modifies or supersedes such previously included AG Information. Any AG Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

RATING

The Bonds are expected to receive an insured rating of "AA" from S&P solely in reliance upon the issuance of each Policy for the Bonds by AG at the time of delivery of the Bonds. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in its judgment, circumstances so warrant.

The District is not aware of any rating assigned to the Bonds other than the rating of S&P.

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OFFICIAL STATEMENT SUMMARY

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

THE BONDS

The Issuer	Redbird Ranch Water Control and Improvement District No. 2 (the “District”), a political subdivision of the State of Texas (“Texas”), located in Medina County, Texas, and Bexar County, Texas (collectively, the “Counties”). See “THE DISTRICT.”
The Issue	The $7,100,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Bonds, Series 2024 (the “System Bonds”) and the $4,245,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Road Bonds, Series 2024 (the “Road Bonds,” and together with the System Bonds, the “Bonds”) are dated December 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about December 20, 2024) (the “Date of Delivery”), at the rates set forth on the inside cover, and is payable March 1, 2025, and each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See “THE BONDS.”
Redemption of the Bonds	The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See “THE BONDS – Redemption of the Bonds.”
Outstanding Bonds	The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and one series of unlimited tax bonds for the purpose of acquiring or constructing the Road System of which $18,575,000 principal amount will remain outstanding as of the Date of Delivery. See THE BONDS—Outstanding Bonds.”
Source of Payment	The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations of the District and are not obligations of Texas; the Counties; or any entity other than the District. See “THE BONDS – Source of Payment.”
Payment Record	The Bonds are the fifth issuance of bonded indebtedness by the District. The District has never defaulted on the timely payment of debt service on its bonded indebtedness.
Book-Entry-Only System	The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system discussed herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Principal of and interest on the Bonds will be payable by the office of the paying agent/registrar, initially BOKF, NA, Dallas, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System.”
Authority for Issuance	The System Bonds constitute the third series of unlimited tax bonds issued by the District from the $225,883,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater and a drainage system to serve the District (the “Utility System”) and $225,883,000 for the further purpose of refunding such bonds. The District’s voters have also authorized $121,635,000 principal amount of

unlimited tax bonds for the purpose of constructing or acquiring a road system to serve the District (the "Road System") and $121,635,000 for the further purpose of refunding such bonds.

Additionally, voters of the District authorized $102,088,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring parks and recreational facilities to serve the District (the "Park System") and $102,088,000 for the further purpose of refunding such bonds.

Following the issuance of the Bonds, $207,318,000 principal amount of unlimited tax bonds for the Utility System; $110,040,000 principal amount of unlimited tax bonds for the Road System; and $102,088,000 principal amount of unlimited tax bonds for the Park System will remain authorized and unissued.

The System Bonds are issued pursuant to (i) a resolution authorizing the issuance of the System Bonds (the "System Bond Resolution") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the System Bonds; (ii) the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and 53 of the Texas Water Code, as amended; (iii) an election held in the District, and passed by a majority of the participating voters; and (iv) an order of the Texas Commission on Environmental Quality (the "TCEQ").

The Road Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Road Bonds (the "Road Bond Resolution") adopted by the Board on the date of the sale of the Road Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and certain assumed powers of Chapter 53 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by a majority of the participating voters.

Use and Distribution of System Bond Proceeds .... Proceeds from the sale of the System Bonds will be used to reimburse the Developer (herein defined) for a portion of the improvements and related costs shown under "THE BONDS - Use And Distribution of System Bond Proceeds." Additionally, proceeds of the sale of the System Bonds will be used to pay developer interest; operation advances; 12 months of capitalized interest; and other certain costs associated with the issuance of the System Bonds. See "THE BONDS – Use and Distribution of System Bond Proceeds."

Use and Distribution of the Road Bond Proceeds .... Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for certain road improvements and related costs shown under "THE BONDS - Use And Distribution of Road Bond Proceeds." Additionally, proceeds of the sale of the Road Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Road Bonds. See "THE BONDS – Use and Distribution of Road Bond Proceeds."

Municipal Bond Insurance .... ASSURED GUARANTY INC. ("AG"). See "MUNICIPAL BOND INSURANCE."

Rating .... S&P Global Ratings (AG Insured): "AA" (stable outlook). See "RATING."

NOT Qualified Tax-Exempt Obligations .... The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

Bond Counsel .... Allen Boone Humphries Robinson LLP, Houston, Texas.

Disclosure Counsel .... McCall, Parkhurst & Horton L.L.P., Houston, Texas.

Financial Advisor .... Robert W. Baird & Co. Incorporated, Houston, Texas.

Engineer .... Pape – Dawson Engineers, Inc. San Antonio, Texas.

Paying Agent/Registrar .... BOKF, NA, Dallas, Texas.

THE DISTRICT

Description	The District is operating under the authority of Chapters 49 and 51 of the Texas Water Code, as amended, as a water control and improvement district with retained powers of a road district under Chapter 53, Texas Water Code. The District was created as a fresh water supply district by Order of the Commissioners Court on December 19, 2019. The District held an election to confirm the District on May 2, 2020 and assumed the powers of a road district pursuant to Article III, Section 52 (b)(3), of the Texas Constitution. The District converted from a fresh water supply district operating under Chapter 53, Texas Water Code to a water control and improvement district operating under Chapter 51, Texas Water Code by order of the Board dated June 4, 2020 but retained the powers of a road district pursuant to Chapter 53, Texas Water Code. The District submitted an application for additional wastewater and drainage powers to the TCEQ on April 2, 2020 and received authorization on October 21, 2020. The District held its tax and bond election on November 3, 2020. At the time of creation, the District contained 264.672 acres. The District annexed approximately 169.107 acres in Bexar County and the District now contains approximately 433.78 acres. The District is not located within any city's extraterritorial jurisdiction. The District is located in both Bexar County, Texas and Medina County, Texas, approximately 20 miles west of the downtown area of the City of San Antonio. The District is located approximately two (2) miles northwest of the State Highway 211 and Potranco Road intersection and directly east of County Road 381. The District was previously named Redbird Ranch Fresh Water Supply District No. 2 of Medina County. On April 4, 2024, the Board approved a Resolution to change the District's name to Redbird Ranch Water Control and Improvement District No. 2 and by order dated October 29, 2024, the TCEQ approved such request.
Development Within the District	To date, approximately 209 acres (974 lots) within the District have been developed as the single-family residential subdivision of Redbird Ranch Phase 2 Unit 1M-1, 1M -2, 1M-3, 1M-4, 1M-5, 3M-3A, 4M -1, 4M-2, and 4M-3. As of October 1, 2024, 896 homes were complete (896 occupied), 34 homes were under construction, and 44 lots were developed and vacant. The remaining land within the District includes approximately 153 undeveloped but developable acres and approximately 71 undevelopable acres.
The Developer	The developer of land within the District is Continental Homes of Texas, L.P. ("Continental" or the "Developer"). Continental is a subsidiary of D.R. Horton – Texas, Ltd, a Texas limited partnership which is a subsidiary of and controlled by D.R. Horton, Inc. a publicly traded corporation. See "DESCRIPTION OF THE DEVELOPER."
Homebuilder Active Within the District	The homebuilder active within the District is D. R. Horton. Prices of new homes being constructed within the District range in price from approximately $247,000 to over $350,000, and in size from approximately 945 square feet to over 2,675 square feet.

RISK FACTORS

THE DISTRICT'S TAXES ARE LEVIED ONLY ON THE PROPERTY LOCATED WITHIN THE DISTRICT. THEREFORE, THE INVESTMENT SECURITY AND QUALITY OF THE BONDS IS DEPENDENT UPON THE SUCCESSFUL DEVELOPMENT OF PROPERTY LOCATED WITHIN THE DISTRICT AND THE PAYMENT AND COLLECTION OF TAXES LEVIED THEREON. THE BONDS ARE SUBJECT TO CERTAIN RISK FACTORS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT BEFORE MAKING AN INVESTMENT DECISION, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "RISK FACTORS."

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2024 Taxable Assessed Valuation	$	201,002,708	(a)
(100% of the market valuation as of January 1, 2024)			
Estimated Taxable Assessed Valuation as of September 15, 2024	$	239,374,439	(b)
(100% of the estimated market valuation as of September 15, 2024)			
Direct Debt:			
The Outstanding Bonds	$	18,575,000	
The System Bonds	$	7,100,000	
The Road Bonds	$	4,245,000	
Total	$	29,920,000	
Estimated Overlapping Debt	$	15,358,893	(c)
Total Direct and Estimated Overlapping Debt	$	45,278,893	(c)
Direct Debt Ratios:			
As a Percentage of the 2024 Taxable Assessed Valuation		14.89 %	
As a Percentage of the Estimated Taxable Assessed Valuation as of September 15, 2024		12.50 %	
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2024 Taxable Assessed Valuation		22.53 %	
As a Percentage of the Estimated Taxable Assessed Valuation as of September 15, 2024		18.92 %	
Utility System Debt Service Fund Balance (as of October 11, 2024)	$	374,261	(d)
Road System Debt Service Fund Balance (as of October 11, 2024)	$	451,256	(e)
Utility System Capital Projects Fund Balance (as of October 11, 2024)	$	400,377	
Road System Capital Projects Fund Balance (as of October 11, 2024)	$	32,620	
General Operating Fund Balance (as of October 11, 2024)	$	665,389	

(a) All taxable property located in the District is valued on the applicable appraisal roll of the Bexar Appraisal District ("BAD") or the Medina County Appraisal District ("MCAD," and together with BAD, the "Appraisal Districts") as of January 1, 2024. Such amount includes $6,159,850 of assessed valuation assigned to properties that remain under review by the BAD. All property located in the District is valued on the tax rolls by the Appraisal Districts at 100% of estimated market value as of January 1 of each year. See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all property located within the District as of September 15, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through September 15, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Neither Texas law nor the System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund (herein defined). Funds in the Utility System Debt Service Fund are not available to pay debt service on Road System Bonds, including the Road Bonds. Twelve (12) months of capitalized interest on the System Bonds will be deposited into the Utility System Debt Service Fund upon closing of the System Bonds.

(e) Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on Utility System Bonds, including the System Bonds.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2024 Tax Rate per $100 of Taxable Assessed Valuation:		
Debt Service		$ 0.870 (a)
Maintenance and Operations		$ 0.130
Total		$ 1.000
Average Annual Debt Service Requirement (2025–2049)	$	1,984,447
Maximum Annual Debt Service Requirement (2048)	$	2,217,195
Combined Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025–2049) at 95% Collections:		
Based on the 2024 Taxable Assessed Valuation		$ 1.04
Based on the Estimated Taxable Assessed Valuation as of September 15, 2024		$ 0.88
Combined Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2048) at 95% Collections:		
Based on the 2024 Taxable Assessed Valuation		$ 1.17
Based on the Estimated Taxable Assessed Valuation as of September 15, 2024		$ 0.98
Single-Family Homes as of October 1, 2024		896 (b)

(a) The debt service tax rate is composed of a $0.535 per $100 of assessed valuation tax rate for payment of debt service on bonds issued for the Utility System and a $0.335 per $100 of assessed valuation tax rate for payment of debt service on bonds issued for the Road System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."

(b) Includes 896 complete and occupied homes. See "DEVELOPMENT WITHIN THE DISTRICT."

REDBIRD RANCH WATER CONTROL AND IMPROVEMENT DISTRICT NO. 2

(A political subdivision of the State of Texas, located within Medina and Bexar Counties, Texas)

$7,100,000 **Unlimited Tax Bonds** **Series 2024**	**$4,245,000** **Unlimited Tax Road Bonds** **Series 2024**

INTRODUCTION

This Official Statement of Redbird Ranch Water Control and Improvement District No. 2 (the "District") is provided to furnish information with respect to the issuance by the District of its $7,100,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Bonds, Series 2024 (the "System Bonds") and the $4,245,000 Redbird Ranch Water Control and Improvement District No. 2 Unlimited Tax Road Bonds, Series 2024 (the "Road Bonds," and together with the System Bonds, the "Bonds").

The System Bonds are issued pursuant to (i) a resolution authorizing the issuance of the System Bonds (the "System Bond Resolution") adopted by the Board of Directors of the District (the "Board") on the date of the sale of the System Bonds; (ii) the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and 53 of the Texas Water Code, as amended; (iii) an election held in the District, and passed by a majority of the participating voters; and (iv) an order of the Texas Commission on Environmental Quality (the "TCEQ").

The Road Bonds are issued pursuant to (i) a resolution authorizing the issuance of the Road Bonds (the "Road Bond Resolution") adopted by the Board on the date of the sale of the Road Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and certain assumed powers of Chapter 53 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by a majority of the participating voters.

The System Bond Resolution and the Road Bond Resolution are collectively referred to herein as the "Bond Resolutions."

There follows herein descriptions of the Bonds, the Developer (herein defined), the Bond Resolutions, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Bond Counsel (herein defined) at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027, upon payment of the costs of duplication thereof. Certain capitalized terms used herein have the same meanings assigned to such terms in the Bond Resolution, except as otherwise indicated herein.

RISK FACTORS

General

The Bonds are obligations of the District and are not obligations of the State of Texas; Medina County, Texas; Bexar County, Texas; or any entity other than the District. Medina County and Bexar County are collectively referred to herein as the "Counties". The Bonds will be secured by the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District. The ultimate security for payment of principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the housing industry, not only due to general economic conditions, but also due to the particular factors discussed below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing industry in the metropolitan area of the City of San Antonio, Texas (the "City"). New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. Although as of October 1, 2024, residential development in the District included approximately 896 single-family homes (896 complete and occupied), the District cannot predict the pace or magnitude of future construction in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

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

***Dependence on Principal Taxpayers*:** The ability of any principal landowner to make full and timely payments of taxes levied against its property by the District and similar taxing authorities will directly affect the District's ability to meet its debt service obligations. As illustrated under "TAX DATA – Principal Taxpayers," as of January 1, 2024, the District's 10 principal taxpayers owned property located within the District which comprised of, in aggregate, approximately 8.07% of the total taxable assessed valuation of all taxable property located within the District, and the Developer owned approximately 5.61% of the total taxable assessed valuation of all taxable property located within the District. In the event that the Developer, another taxpayer, or any combination of taxpayers should default in the payment of taxes in an amount that exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its interest and sinking fund. See "TAX DATA – Principal Taxpayers" and "TAXING PROCEDURES – Levy and Collection of Taxes."

***Maximum Impact on District Tax Rates*:** Assuming no further development or home construction, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The taxable assessed valuation as of January 1, 2024, of all taxable property located within the District is $201,002,708 and the estimated taxable assessed valuation as of September 15, 2024, is $239,374,439. After issuance of the Bonds, the maximum annual debt service requirement on the Outstanding Bonds and the Bonds will be $2,217,195 (2048) and the average annual debt service requirement on the Outstanding Bonds and the Bonds will be $1,984,447 (2025–2049). Assuming no decrease from the taxable assessed valuation as of January 1, 2024, tax rates of $1.17 and $1.04 per $100 of taxable assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively. Assuming no decrease from the estimated taxable assessed valuation as of September 15, 2024, tax rates of $0.98 and $0.88 per $100 of taxable assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Bonds and the Bonds and the average annual debt service requirement on the Outstanding Bonds and the Bonds, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the anticipated District tax rate or to justify continued payment of taxes by property owners.

Increases in the District's tax rate to rates substantially higher than the levels discussed above may have an adverse impact upon future development of the District, the sale and construction of homes within the District, and the ability of the District to collect, and the willingness of owners of property located within the District to pay ad valorem taxes levied by the District.

Vacant Developed Lots

As of October 1, 2024, approximately 44 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. The District makes no representation that the lot sales and building program will be successful.

Competitive Nature of Residential Housing Market

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

Special Flood Type Risks

The District may be subject to the following flood risks:

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

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

Potential Impact of Natural Disaster

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

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

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 parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection procedures against a taxpayer; (c) market conditions limiting the proceeds from a foreclosure sale of taxable property; or (d) the taxpayer's right to redeem the property within six (6) months for commercial property and two (2) years for residential and all other property after the purchaser's deed issued at the foreclosure sale is filed in the county records. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Attorney's fees and other costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes 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 (2) other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six (6) 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 "TAXING PROCEDURES – District's Rights in the Event of Tax Delinquencies."

Registered Owners' Remedies and Bankruptcy

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the "Registered Owners") have a right to seek a writ of mandamus requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no provision for acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by a direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District in order to pay principal of and interest on the Bonds. Since there is no trust indenture or trustee, the Registered Owners would have to initiate and finance the legal process to enforce their remedies. The enforceability of the rights and remedies of the Registered Owners further may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. In this regard, should the District file a petition for protection from creditors under federal bankruptcy laws, the remedy of mandamus or the right of the District to seek judicial foreclosure of its tax lien would be automatically stayed and could not be pursued unless authorized by a federal bankruptcy judge. See "THE BONDS – Registered Owners' Remedies."

Marketability

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

Future Debt

Following the issuance of the Bonds, the District has the right to issue the remaining $207,318,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring a water, wastewater and a drainage system to serve the District (the "Utility System"), and $225,883,000 for the purpose of refunding such bonds; $110,040,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"), and $121,635,000 for the purpose of refunding such bonds; and $102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing park and recreational facilities to serve the District (the "Park System"), and $102,088,000 for the purpose of refunding such bonds; and such additional bonds as may hereafter be approved by both the Board and voters of the District. See "THE BONDS – Issuance of Additional Debt."

The District also has the right to issue certain other additional bonds, special project bonds, and other obligations described in the Bond Resolutions. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately $10,600,000 for the expenditures to develop the District.

The principal amount of bonds issued to finance parks and recreational facilities may not exceed 1% of the District's taxable assessed value, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "DEVELOPMENT WITHIN THE DISTRICT."

Environmental Regulations

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

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

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

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

Although the Austin Area is currently in attainment, the Austin Area has been and continues to be near the non-attainment thresholds for ozone. Accordingly, it is possible that the Austin Area could be re-classified as a nonattainment area should ozone levels increase. A designation of nonattainment for ozone or any other pollutant could negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. In the past, the Austin Area has entered into agreements with the TCEQ to undertake voluntary actions to help avoid a nonattainment designation. Since 2004, the Austin Area has been party to a curtailment agreement with the TCEQ, and the Austin Area is currently part of an EPA Ozone Advance Program.

In order to comply with the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the Austin Area. It is possible that additional controls will be necessary to allow the Austin Area to maintain attainment with the ozone standards. Such additional controls could have a negative impact on the Austin Area's economic growth and development.

Water Supply & Discharge Issues. Water supply and discharge regulations that municipal utility districts, including the District, may be required to comply with involve: (1) 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:

Certain governmental entities regulate groundwater usage in the Austin Area. 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 Polyflouroalkyl Substances ("PFAS"), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The 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 August 15, 2024. 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

In addition to the foregoing, special district activities in the Austin Area involving the clearing of acreage and construction within the Edwards Aquifer recharge, transition, and contributing zones are subject to the TCEQ's Edwards Aquifer Protection Program, which requires a site-specific application, construction plan approval, and the implementation of temporary and permanent structural and non-structural Best Management Practices and the protection of sensitive features.

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.

National Weather Service Atlas 14 Rainfall Study

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

Changes in Tax Legislation

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

Continuing Compliance with Certain Covenants

The Bond Resolutions contain covenants by the District intended to preserve the exclusion from gross income of interest on the Bonds. Failure by the District to comply with such covenants on a continuous basis prior to maturity of the Bonds could result in interest on the Bonds becoming taxable retroactively to the date of original issuance. See "TAX MATTERS."

Approval of the Bonds

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

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the District or the Initial Purchasers have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal of and interest on the Bonds and the claims paying ability of the bond insurer, particularly over the life of the investment. See "MUNICIPAL BOND INSURANCE" and "RATING" for further information provided by the bond insurer and the Policy, which includes further instructions for obtaining current financial information concerning the bond insurer.

THE BONDS

General

The following is a description of some of the terms and conditions of the Bonds, which is qualified in its entirety by reference to the Bond Resolution adopted by the Board. A copy of the Bond Resolution may be obtained from the District upon written request made to Bond Counsel at 3200 Southwest Freeway, Suite 2600, Houston, Texas 77027.

The Bonds are dated December 1, 2024, and mature on September 1 in the years and in the principal amounts shown on the inside cover. Interest on the Bonds accrues from the initial date of delivery (on or about December 20, 2024) (the "Date of Delivery"), at the rates set forth on the inside cover, and is payable March 1, 2025, and each September 1 and March 1 thereafter (the "Interest Payment Date") until the earlier of stated maturity or prior redemption. Principal of the Bonds is payable to the Registered Owners (herein defined) at the principal office of the Paying Agent/Registrar (herein defined) upon surrender of the Bonds for payment at the stated maturity or upon prior redemption. Unless otherwise agreed between the Paying Agent/Registrar and a Registered Owner, interest on the Bonds is dated as of the Interest Payment Date and payable to each Registered Owner, as shown on the records of the Paying Agent/Registrar on the close of business on the 15th day of the calendar month next preceding each Interest Payment Date (the "Record Date"). The Bonds will be issued only in fully registered form in the denomination of $5,000 of principal amount, or any integral multiple thereof.

Paying Agent/Registrar

The initial paying agent/registrar for the Bonds is BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are being issued in fully registered form in integral multiples of $5,000 of principal amount. Interest on the Bonds will be payable semiannually by the Paying Agent/Registrar by check mailed on each Interest Payment Date by the Paying Agent/Registrar to the Registered Owners at the last known address as it appears on the Registrar's books on the Record Date.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how principal of, premium, if any, 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 (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 (herein defined) believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or redemption or other notices, to Direct and Indirect Participants (herein defined), (2) Direct and Indirect 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 Registered Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner discussed herein. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with Direct and Indirect Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be required by an authorized representative of DTC. One (1) fully-registered Bond certificate will be issued for each maturity of each series of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "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 (the "Indirect Participants," and together with the Direct Participants, the "Direct and Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC rules applicable to its Direct and Indirect Participants are on file with the SEC. 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 holder of ownership interest of each actual purchase of each Bond (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the Book-Entry-Only System 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 Issue as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in the section concerning DTC and the Book-Entry-Only System has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds are in the book-entry form, references in other sections herein to Registered Owners should be read to include the person for which the Direct and Indirect Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to Registered Owners under the Bond Order will be given only to DTC.

Registration, Transfer, and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated offices of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity series and in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than two (2) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of $5,000 in principal amount for a Bond, or any integral multiple thereof for any one (1) maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning 15 calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within 30 calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

Mutilated, Lost, Stolen, or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds, on receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the District and the Paying Agent/Registrar of security or indemnity to hold them harmless. Upon the issuance of a new bond the District may require payment of taxes, governmental charges and other expenses (including the fees and expenses of the Registrar), bond printing and legal fees in connection with any such replacement.

Redemption of the Bonds

The Bonds maturing on September 1, 2030, and thereafter shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on September 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given by the Paying Agent/Registrar at least 30 days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain series and maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of $5,000 within any one (1) maturity. The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Successor Paying Agent/Registrar

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

Authority for Issuance

The System Bonds are issued pursuant to (i) the System Bond Resolution adopted by the Board on the date of the sale of the System Bonds; (ii) the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and 53 of the Texas Water Code, as amended; (iii) an election held in the District, and passed by a majority of the participating voters; and (iv) an order of the TCEQ.

The Road Bonds are issued pursuant to (i) the Road Bond Resolution adopted by the Board on the date of the sale of the Road Bonds; (ii) Article III, Section 52 of the Texas Constitution and general laws of Texas, particularly Chapters 49, 51 and certain assumed powers of Chapter 53 of the Texas Water Code, as amended; and (iii) an election held in the District, and passed by a majority of the participating voters.

Before the Bonds are issued, the Attorney General of Texas must pass upon the legality of certain related matters. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained herein.

Funds

The System Bond Resolution confirms the District's debt service fund for payment of debt service on the System Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Utility System, or for the purpose of refunding such bonds (the "Utility System Debt Service Fund"). The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Utility System, including the System Bonds, the Outstanding Bonds issued for the Utility System and any additional bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Utility System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Utility System, including the System Bonds, the Outstanding Bonds issued for the Utility System and any additional bonds issued by the District for the Utility System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the System Bonds, twelve (12) months of capitalized interest on the System Bonds will be deposited into the Utility System Debt Service Fund. The proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Utility System, including the System Bonds, the Outstanding Bonds issued for the Utility System and any additional bonds issued by the District for the Utility System will also be deposited into the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Utility System, including the System Bonds, the Outstanding Bonds issued for the Utility System and any additional bonds issued by the District for the Utility System and are not available to pay debt service on the bonds issued by the District for the Road System, including the Road Bonds, or any additional bonds issued by the District for the Road System.

The Road Bond Resolution confirms the District's debt service fund for payment of debt service on the Road Bonds and any other bonds issued by the District for the purpose of acquiring or constructing the Road System, or for the purpose of refunding such bonds (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System, is to be kept separate from all other funds of the District and is to be used only for payment of such bonds. Amounts on deposit in the Road System Debt Service Fund may also be used for the following, to the extent applicable to the bonds issued by the District for the Road System, including the Road Bonds, the Outstanding Bond issued for the Road System, and any additional bonds issued by the District for the Road System: to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of principal of and interest on bonds, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due.

Upon closing of the Road Bonds, the proceeds from all taxes levied and collected for payment of debt service on bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System will also be deposited into the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are available only to pay debt service on the bonds issued by the District for the Road System, including the Road Bonds, and any additional bonds issued by the District for the Road System and are not available to pay debt service on the bonds issued by the District for the Utility System, including the System Bonds, or any additional bonds issued by the District for the Utility System.

Outstanding Bonds

The District has previously issued two series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and one series of unlimited tax bonds for the purpose of acquiring or constructing the Road System, of which $18,575,000 principal amount will remain outstanding as of the Date of Delivery.

Source of Payment

The Bonds are payable from the proceeds of two (2) separate continuing direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. In the Bond Resolutions, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees and the Bexar Appraisal District ("BAD") and Medina County Appraisal District ("MCAD", together with BAD, the "Appraisal Districts") fees. Tax proceeds, after deduction for collection costs, will be placed into the applicable debt service fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued, and Paying Agent/Registrar fees.

The Bonds are obligations solely of the District and are not the obligations of Texas; the Counties; or any entity other than the District.

Issuance of Additional Debt

The District may issue additional bonds necessary to provide improvements and facilities consistent with the purposes for which the District was created. The System Bonds constitute the third series of unlimited tax bonds issued by the District for the Utility System and the Road Bonds constitute the second series of unlimited tax bonds issued by the District for the Road System. Voters in the District have authorized a total of $225,883,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System, and $225,883,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of $121,635,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System, and $121,635,000 for the purpose of refunding such bonds. Additionally, voters in the District have authorized a total of $102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System and $102,088,000 for the purpose of refunding such bonds. Following the issuance of the Bonds, $207,318,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; $225,883,000 for the purpose of refunding such bonds; $110,040,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $121,635,000 for the purpose of refunding such bonds; and $102,088,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Park System; and $102,088,000 for the purpose of refunding such bonds, will remain authorized and unissued. The District's issuance of bonds for the purpose of acquiring or constructing the Road System is not subject to approval by the TCEQ.

Following the reimbursement with the proceeds of the Bonds, the District will owe the Developer approximately $10,600,000 for the expenditures to develop the District.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The principal amount of park bonds sold by the District is limited to 1% of the District's taxable assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not greater than 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the Engineer (herein defined), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing utility facilities, road improvements and to finance the extension of water, wastewater, and storm drainage facilities and services to serve the remaining undeveloped land and road improvements within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "RISK FACTORS – Future Debt."

No Arbitrage

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

Defeasance

The Bond Resolutions provide that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest, and the 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 Texas a sum of money equal to 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 non-callable obligations of the United States, (b) non-callable 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) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the 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.

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.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

Registered Owners' Remedies

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

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners may seek a writ of mandamus requiring the District to levy adequate taxes to make such payments. Except for the remedy of mandamus, the Bond Resolutions do not specifically provide for remedies to a Registered Owner in the event of a District default, nor does it provide for the appointment of a trustee to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the Registered Owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on the property of the District or sell property within the District in order to pay principal of or interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may be further limited by laws and principles relating to sovereign immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. For example, a Chapter 9 bankruptcy proceeding by the District could delay or eliminate payment of principal or interest to the Registered Owners.

Use and Distribution of System Bond Proceeds

Proceeds from the sale of the System Bonds will be used to reimburse the Developer for a portion of the improvements and related costs shown below. Additionally, proceeds of the sale of the System Bonds will be used to pay developer interest; operational advances; 12 months of capitalized interest; and other certain costs associated with the issuance of the System Bonds.

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

CONSTRUCTION COSTS		Total
1.	Redbird Ranch Phase 2 Unit 1M-3 - W, WW, & D	$ 859,948
2.	Redbird Ranch Phase 2 Unit 3M-3A - W, WW, & D	2,096,068
3.	Redbird Ranch Phase 2 Unit 1M-4 - W, WW, & D	1,605,531
4.	Redbird Ranch Phase 2 Unit 4M-3 - W, WW, & D	137,467
5.	Engineering	419,930
Total Construction Costs (72.10%) of BIR)		$ 5,118,944
NON-CONSTRUCTION COSTS		
1.	Legal Fees	$ 182,000
2.	Financial Advisor Fees	142,000
3.	Interest	
	a. Developer Interest	813,007
	b. Capitalized Interest	305,069
4.	Bond Discount	212,480
5.	Bond Issuance Costs	68,072
6.	TCEQ Bond Issuance Fee	17,750
7.	Bond Application Report Cost	70,000
8.	Operational Advances	77,627
9.	Attorney General Fee (0.10%)	7,100
10.	Contingency (a)	85,951
	TOTAL NON-CONSTRUCTION COSTS	$ 1,981,056
	TOTAL BOND ISSUE REQUIREMENT	$ 7,100,000

(a) Represents the difference between the estimated 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.

Use and Distribution of Road Bond Proceeds

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for certain road improvements and related costs shown below. Additionally, proceeds of the sale of the Road Bonds will be used to pay developer interest and other certain costs associated with the issuance of the Road Bonds.

Non-construction costs are based upon either contract amounts or various cost estimates by the Engineer and the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Road Bonds and completion of agreed-upon procedures by the Auditor. Totals may not sum due to rounding.

CONSTRUCTION COSTS	Total Costs
Developer Contribution Items	
1. Redbird Ranch Phase 2 Unit 1M-4	$ 424,959
2. Redbird Ranch Phase 2 Unit 1M-5	1,659,852
3. Redbird Ranch Phase 2 Unit 4M-3	1,177,381
4. Engineering	292,127
TOTAL CONSTRUCTION COSTS	$ 3,554,319
NON-CONSTRUCTION COSTS	
1. Legal Fees	$ 121,125
2. Fiscal Agent Fees	84,900
3. Interest	
1. Developer Interest	312,690
4. Bond Discount	127,236
5. Bond Issuance Expenses	40,371
6. Attorney General Fee (0.10%)	4,245
7. Contingency (a)	114
TOTAL NON-CONSTRUCTION COSTS	$ 690,681
TOTAL BOND ISSUE REQUIREMENT	$ 4,245,000

(a) Represents the difference between the estimated and actual amount of bond discount.

The Engineer has advised the District that the proceeds of the sale of the Road 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. In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for approved uses. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

THE DISTRICT

Authority

The District is operating under the authority of Chapters 49 and 51 of the Texas Water Code, as amended, as a Water Control and Improvement District with retained powers of a road district under Chapter 53, Texas Water Code. The District was created as a fresh water supply district by Order of the Commissioners Court on December 19, 2019. The District held an election on May 2, 2020 to confirm the District and assume road powers of a road district pursuant to Article III, Section 52(b)(3) of the Texas Constitution. The District converted from a fresh water supply district operating under Chapter 53, Texas Water Code, to a water control and improvement district operating under Chapter 51, Texas Water Code, by order of the Board dated June 4, 2020 but retained the powers of a road district. The District submitted an application for additional wastewater and drainage powers to the TCEQ on April 2, 2020 and received authorization for acquisition of wastewater and drainage powers on October 21, 2020. The District held a bond and tax election on November 3, 2020. The rights, powers, privileges, authority, and functions of the District are established by the general laws of Texas pertaining to water control and improvement districts, including particularly Chapters 49 and 51 of the Texas Water Code; and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ for utility and park purposes.

The District was previously named Redbird Ranch Fresh Water Supply District No. 2 of Medina County. On April 4, 2024, the Board approved a Resolution to change the District's name to Redbird Ranch Water Control and Improvement District No. 2 and by order dated October 29, 2024, the TCEQ approved such request.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation, and treatment of wastewater; and the control and diversion of stormwater.

The District is also authorized to finance road improvements and construct, develop, and maintain park and recreational facilities. In addition, the District, after complying with certain requirements set forth in the Texas Water Code, is authorized to establish, operate, and maintain a fire department, independently or with one (1) or more other conservation and reclamation districts, and provide such facilities and services to the customers of the District. See "THE UTILITY SYSTEM" and "THE ROAD SYSTEM."

Description

Location and Access**:** The District is not located within any city's extraterritorial jurisdiction. Approximately 264.67 acres of the District is located in Medina County, Texas and the remaining approximately 169.10 acres is located within Bexar County, Texas. The District is located approximately 20 miles west of the City's downtown and is approximately two (2) miles northwest of the State Highway 211 and Potranco Road intersection and directly east of County Road 381.

Management of the District

The District is governed by the Board, consisting of five (5) Directors, who have control over and management supervision of all affairs of the District. All of the Directors own land within in the District. The Directors serve four (4)-year staggered terms. Elections are held in even numbered years in November. The current members and officers of the Board are listed below:

Name	Title	Term Expires May
Michael Kent	President	2026
Aaron Parencia	Vice President	2026
John Moake	Secretary	2028
Mellick Sykes	Assistant Vice President	2028
Mary Stewart	Assistant Secretary	2028

Investment Policy

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

Consultants

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

Tax Assessor/Collector

The District's Tax Assessor/Collector is Utility Tax Service, LLC., Houston, Texas (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Appraisal Districts and bills and collects such levy.

Bookkeeper

The District's bookkeeper is Municipal Accounts & Consulting, L.P., Houston, Texas.

Utility System Operator

The public operator of the Utility System serving all sewer customers in Bexar and Medina Counties of the District and water customers in Bexar County is San Antonio Water System ("SAWS") and the private operator serving water customers only in Medina County is Yancey Water Supply Corporation ("WSC").

Auditor

As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which financial statements are filed with the TCEQ. The District's financial statements for the fiscal year ended December 31, 2023, were audited by McGrath & Co., PLLC, Houston, Texas (the "Auditor"), and are attached hereto as "APPENDIX A."

Engineer

The consulting engineer for the District in connection with the design and construction of the facilities for which a portion of the Bonds are being sold to reimburse the Developer is Pape-Dawson Engineering, Inc., San Antonio, Texas (the "Engineer"). The Engineer has also been employed by the Developer in connection with certain planning activities and the design of certain streets and related improvements within the District.

Bond & General Counsel

The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as bond counsel ("Bond Counsel") in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the issuance and delivery of the Bonds. Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds.

Disclosure Counsel

McCall, Parkhurst & Horton L.L.P., Houston, Texas, serves as Disclosure Counsel to the District. The fees to be paid to Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

Robert W. Baird & Co. Incorporated, Houston, Texas, is employed as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information herein.

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DEVELOPMENT WITHIN THE DISTRICT

To date, approximately 209 acres (974 lots) within the District have been developed as the single-family residential subdivision of Redbird Ranch. As of October 1, 2024, 896 homes were complete (896 occupied), 34 homes were under construction, and 44 lots were developed and vacant. The remaining land within the District includes approximately 153 undeveloped but developable acres and approximately 71 undevelopable acres.

				Homes		
Section	Type of Development	Acreage	No. of Lots	Complete	Under Construction	Vacant Lots
Redbird Ranch Phase 2 Unit 1M-1	Single Family	38.15	136	136	0	0
Redbird Ranch Phase 2 Unit 1M-2	Single Family	18.87	122	122	0	0
Redbird Ranch Phase 2 Unit 1M-3	Single Family	18.73	119	119	0	0
Redbird Ranch Phase 2 Unit 1M-4	Single Family	24.89	120	120	0	0
Redbird Ranch Phase 2 Unit 1M-5		33.48	132	104	14	14
Redbird Ranch Phase 2 Unit 3M-3A	Single Family	10.44	42	42	0	0
Redbird Ranch Phase 2 Unit 4M-1	Single Family	16.47	91	91	0	0
Redbird Ranch Phase 2 Unit 4M-2	Single Family	19.33	72	72	0	0
Redbird Ranch Phase 2 Unit 4M-3	Single Family	29.09	140	90	20	30
Subtotal		209.45	974	896	34	44
Undevelopable		71.14				
Remaining Developable		153.19				
Total District Acreage		433.78				

HOMEBUILDER ACTIVE WITHIN THE DISTRICT

The homebuilder active within the District is D.R. Horton ("DH"). Prices of new homes being constructed within the District range in price from approximately $247,000 to over $350,000, and in size from approximately 945 square feet to over 2,675 square feet.

DESCRIPTION OF THE DEVELOPER

Role of a Developer

In general, the activities of a developer in a water control and improvement district such as the District include purchasing the land within the District, designing the subdivisions, designing the utilities and streets to be constructed in the subdivisions, designing any community facilities to be built, defining a marketing program and building schedule, securing necessary governmental approvals and permits for development, arranging for the construction of roads and the installation of utilities (including, in some cases, water, wastewater, and drainage facilities pursuant to the rules of the TCEQ, as well as gas, telephone, and electric service) and selling improved lots and commercial reserves to builders, Developer, or other third parties. In some instances, the Developer will be required to pay up to 30% of the cost of constructing certain of the water, wastewater, and drainage facilities in a district pursuant to the rules of the TCEQ. The relative success or failure of a Developer to perform such activities in development of property within a district may have a profound effect on the security of the unlimited tax bonds issued by such district. A Developer is generally under no obligation to a district to develop the property which it owns. Furthermore, there is no restriction on a developer's right to sell any or all of the land which it owns within a district. In addition, a developer is usually the major taxpayer within a district during the initial development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Description of the Developer

The developer of land within the District is Continental Homes of Texas, L.P. ("Continental" or the "Developer").

Continental is a subsidiary of D.R. Horton-Texas, Ltd., a Texas limited partnership, which is a subsidiary of and controlled by D.R. Horton, Inc. ("DHI"). DHI is a publicly traded corporation whose stock is listed on the New York Stock Exchange as "DHI".

Audited financial statements for DHI can be found online at https://investor.drhorton.com. DHI is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the SEC. Reports, proxy statements and other information filed by DHI can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at http://www.sec.gov that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning Continental is included as part of the consolidated financial statements of DHI. However, DHI is not legally obligated to provide funds for the development of the District, to provide funds to pay taxes on property within the District, or to pay any other obligations of Continental. Further, neither Continental or DHI is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements herein should not be construed as an implication to that effect. Neither the Continental or DHI has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and Continental may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of Continental and DHI is subject to change at any time. Because of the foregoing, financial information concerning Continental and DHI will neither be updated nor provided following issuance of the Bonds.

As of October 1, 2024, Continental owned approximately 44 vacant developed lots, and approximately 153 acres of the remaining undeveloped land within the District.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 30, 2024)






PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(October 30, 2024)

DISTRICT DEBT

Debt Service Requirement Schedule

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

		The System Bonds			The Road Bonds			
Year	Outstanding Debt Service	Principal	Interest	Total Debt Service	Principal	Interest	Total Debt Service	Total Debt Service
2025	$ 1,307,429	$ 235,000	$ 215,925	$ 450,925	$ 140,000	$ 129,339	$ 269,339	$ 1,993,354
2026	1,305,191	165,000	294,419	459,419	100,000	176,406	276,406	1,929,610
2027	1,296,254	170,000	283,694	453,694	105,000	169,906	274,906	1,919,948
2028	1,290,991	180,000	272,644	452,644	110,000	163,081	273,081	1,923,635
2029	1,274,079	190,000	260,944	450,944	110,000	155,931	265,931	1,915,023
2030	1,271,416	195,000	248,594	443,594	115,000	148,781	263,781	1,910,010
2031	1,261,729	205,000	238,600	443,600	125,000	142,600	267,600	1,910,329
2032	1,250,966	215,000	230,400	445,400	130,000	137,600	267,600	1,911,366
2033	1,243,566	225,000	221,800	446,800	135,000	132,400	267,400	1,915,366
2034	1,234,716	235,000	212,800	447,800	140,000	127,000	267,000	1,917,516
2035	1,248,466	245,000	203,400	448,400	145,000	121,400	266,400	1,941,866
2036	1,245,504	255,000	193,600	448,600	155,000	115,600	270,600	1,949,104
2037	1,256,516	265,000	183,400	448,400	160,000	109,400	269,400	1,969,916
2038	1,255,816	280,000	172,800	452,800	165,000	103,000	268,000	1,988,616
2039	1,263,891	290,000	161,600	451,600	175,000	96,400	271,400	2,005,491
2040	1,265,254	305,000	150,000	455,000	180,000	89,400	269,400	2,025,254
2041	1,275,179	320,000	137,800	457,800	190,000	82,200	272,200	2,052,979
2042	1,283,191	335,000	125,000	460,000	200,000	74,600	274,600	2,078,191
2043	1,283,635	345,000	111,600	456,600	210,000	66,600	276,600	2,085,235
2044	1,296,114	365,000	97,800	462,800	215,000	58,200	273,200	2,123,914
2045	1,296,160	380,000	83,200	463,200	225,000	49,600	274,600	2,139,360
2046	1,303,763	395,000	68,000	463,000	235,000	40,600	275,600	2,161,763
2047	1,308,908	415,000	52,200	467,200	250,000	31,200	281,200	2,191,108
2048	1,311,595	435,000	35,600	470,600	260,000	21,200	281,200	2,217,195
2049	506,825	455,000	18,200	473,200	270,000	10,800	280,800	1,435,025
Total	$ 31,137,154	$ 7,100,000	$ 4,274,019	$11,374,019	$ 4,245,000	$ 2,553,245	$ 6,798,245	$42,511,173

Average Annual Debt Service Requirement on the Bonds (2025–2049) $1,984,447

Maximum Annual Debt Service Requirement on the Bonds (2048) $2,217,195

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Selected Financial Information

2024 Taxable Assessed Valuation (100% of the market valuation as of January 1, 2024)	$	201,002,708	(a)
Taxable Estimated Taxable Assessed Valuation as of September 15, 2024 (100% of the estimated market valuation as of September 15, 2024)	$	239,374,439	(b)
Direct Debt:			
The Outstanding Bonds	$	18,575,000	
The System Bonds	$	7,100,000	
The Road Bond	$	4,245,000	
Total	$	29,920,000	
Estimated Overlapping Debt	$	15,358,893	(c)
Total Direct and Estimated Overlapping Debt	$	45,278,893	(c)
Direct Debt Ratios:			
As a Percentage of the 2024 Taxable Assessed Valuation		14.89	%
As a Percentage of the Estimated Taxable Assessed Valuation as of September 15, 2024		12.50	%
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2024 Taxable Assessed Valuation		22.53	%
As a Percentage of the Estimated Taxable Assessed Valuation as of September 15, 2024		18.92	%
Utility System Debt Service Fund Balance (as of October 11, 2024)	$	374,261	(d)
Road System Debt Service Fund Balance (as of October 11, 2024)	$	451,256	(e)
Utility System Capital Projects Fund Balance (as of October 11, 2024)	$	400,377	
Road System Capital Projects Fund Balance (as of October 11, 2024)	$	32,620	
General Operating Fund Balance (as of October 11, 2024)	$	665,389	

(a) All taxable property located in the District is valued on the applicable appraisal roll of the Bexar Appraisal District ("BAD") or the Medina County Appraisal District ("MCAD," and together with BAD, the "Appraisal Districts") as of January 1, 2024. Such amount includes $6,159,850 of assessed valuation assigned to properties that remain under review by the BAD. All property located in the District is valued on the tax rolls by the Appraisal Districts at 100% of estimated market value as of January 1 of each year. See "TAXING PROCEDURES" and "TAX DATA."

(b) Provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the taxable value of all property located within the District as of September 15, 2024, and includes an estimate of additional taxable value resulting from the construction of taxable improvements from January 1, 2024, through September 15, 2024. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."

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

(d) Neither Texas law nor the System Bond Resolution requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on Road System Bonds, including the Road Bonds. Twelve (12) months of capitalized interest on the System Bonds will be deposited into the Utility System Debt Service Fund upon closing of the System Bonds.

(e) Neither Texas law nor the Road Bond Resolution requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are not available to pay debt service on Utility System Bonds, including the System Bonds.

2024 Tax Rate per $100 of Taxable Assessed Valuation:

Debt Service	$ 0.870	(a)
Maintenance and Operations	$ 0.130	
Total	$ 1.000	

Average Annual Debt Service Requirement (2025–2049)	$ 1,984,447
Maximum Annual Debt Service Requirement (2048)	$ 2,217,195

Combined Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2025–2049) at 95% Collections:

Based on the 2024 Taxable Assessed Valuation	$ 1.04
Based on the Estimated Taxable Assessed Valuation as of September 15, 2024	$ 0.88

Combined Debt Service Tax Rate per $100 of Taxable Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2048) at 95% Collections:

Based on the 2024 Taxable Assessed Valuation	$ 1.17
Based on the Estimated Taxable Assessed Valuation as of September 15, 2024	$ 0.98

Single-Family Homes as of October 1, 2024	896	(b)

(a) The debt service tax rate is composed of a $0.535 per $100 of assessed valuation tax rate for payment of debt service on bonds issued for the Utility System and a $0.335 per $100 of assessed valuation tax rate for payment of debt service on bonds issued for the Road System. The District is authorized to levy separate taxes to pay debt service for bonds issued for the Utility System and to pay debt service for bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Distribution."

(b) Includes 896 complete and occupied homes. See "DEVELOPMENT WITHIN THE DISTRICT."

Unlimited Tax Bonds Authorized but Unissued

Date of Authorization	Purpose	Amount Authorized	Amount Issued to Date	Remaining Unissued
11/3/2020	Utility System (c)	$ 225,883,000	$ 18,565,000 (a)	$ 207,318,000
11/3/2020	Road System (c)	121,635,000	11,595,000 (b)	110,040,000
11/3/2020	Park System (c)	102,088,000	–	102,088,000

(a) Includes the System Bonds.

(b) Includes the Road Bonds.

(c) District voted propositions for refunding bonds for each purpose in same par amounts.

Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt September 30, 2024	Overlapping Percent	Overlapping Amount
Medina County	$ 22,795,000	2.78%	$ 634,296
Medina County Hospital District	-	-	-
Medina County Groundwater Conservation District	-	-	-
County FM Road	-	-	-
Medina Valley Independent School District	547,879,613	1.31%	7,176,910
Medina County Emergency Service District No.1	-	-	-
Bexar County Road & Flood	-	-	-
San Antonio River Authority	-	-	-
Alamo Community College	707,460,000	0.07%	520,266
Bexar County Hospital District	1,280,820,000	0.08%	1,087,617
Bexar County	2,222,135,000	0.09%	1,921,599
Northside Independent School District	2,425,075,000	0.17%	4,018,205
Bexar County Emergency Service District No. 2	-	1.13%	-
Total Estimated Overlapping Debt			$ 15,358,893
The District (a)			$ 29,920,000
Total Direct & Estimated Overlapping Debt (a)			$ 45,278,893

(a) Includes the Bonds and the Outstanding Bonds.

Debt Ratios

Direct Debt Ratios (a):	
As a Percentage of the 2024 Taxable Assessed Valuation	14.89 %
As a Percentage of the Estimated Taxable Assessed Valuation as of September 15, 2024	12.50 %
Direct and Estimated Overlapping Debt Ratios (a):	
As a Percentage of the 2024 Taxable Assessed Valuation	22.53 %
As a Percentage of the Estimated Taxable Assessed Valuation as of September 15, 2024	18.92 %

(a) Includes the Bonds and the Outstanding Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal Districts

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of Texas. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and the Bexar County Appraisal Review Board and Medina County Appraisal Review Board (together the "Appraisal Review Boards") have the responsibility for reviewing and equalizing the values established by the respective Appraisal Districts. The Appraisal Districts has the responsibility of appraising property for all taxing units within their respective Counties. Such appraisal values will be subject to review and change by the Appraisal Review Boards. The appraisal roll, as approved by each of the Appraisal Review Boards, will be used by the District in establishing its tax rolls and tax rate. See "TAXING PROCEDURES – Valuation of Property for Taxation."

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 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; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by 20% of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. This exemption will also apply to a residence homestead that was donated by a charitable organization at some cost to such veterans. Also, the surviving spouse of a member of the armed forces who was killed in action is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the service member's death and said property was the service member's residence homestead at the time of death. Such exemption may be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption would be transferred to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received. The District has never adopted a homestead exemption*.*

Residential Homestead Exemptions**:** The Property Tax Code authorizes the governing body of each political subdivision in Texas to exempt up to 20% of the appraised market 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 by July 1. The District has never adopted a homestead exemption. See "TAX DATA – Tax Exemptions."

Freeport Goods and Goods-in-Transit Exemption**:** 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 2013 and prior applicable years, such property is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation, and the location where said property is detained during that period is not directly or indirectly owned or under the control of the property owner. For tax year 2012 and subsequent years, such Goods-in-Transit Exemption includes tangible personal property acquired in or imported into Texas for storage purposes only if such property is stored under a contract of bailment by a public warehouse operator at one (1) 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 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

The Counties may designate all or part of the area within the District and within the respective county, as a reinvestment zone. Thereafter, the respective Counties and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to 10 years, all or any part of any increase in the taxable assessed valuation of property covered by the agreement over its taxable 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. As of September 1, 1999, each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. To date, neither County has designated any part of the area within the District as a reinvestment zone.

Valuation of Property for Taxation

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

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one (1) political subdivision while claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years, for open space land and timberland.

The Property Tax Code requires the Appraisal Districts to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all property in the Appraisal Districts at least once every two (2) years. It is not known what frequency of reappraisals will be utilized by the Appraisal Districts 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 Districts 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 Districts chooses to formally include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the Governor (herein defined). This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the

Property Tax Code, the Appraisal Districts 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.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, 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 6% of the amount of the tax for the first calendar month it is delinquent, plus 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 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 1% for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of taxes, 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) 65 years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

Certain qualified taxpayers, including owners of residential homesteads, located within a designated disaster area or emergency area and whose property has been damaged as a direct result of the disaster or emergency, are entitled to enter into a tax payment installment agreement with a taxing jurisdiction, such as the District, if the taxpayer pays at least 1/4th of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in two (2) equal installments within six (6) months of the delinquency date.

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead, subject to certain homestead exemptions for the preceding tax year, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, may be required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus 1.035 times the previous year's maintenance and operations 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 or the President (herein defined), 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 maintenance and operations tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

For the 2024 tax year, the District has designated itself as a Developing District. For future years, a determination as to the District's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

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

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceedings which restrict the collection of taxpayer debts. A taxpayer may redeem property within six (6) months for commercial property and two (2) years for residential and other types of property after the purchaser's deed at the foreclosure sale is filed in the county records.

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of two separate annual ad valorem taxes, each without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds. See "TAXING PROCEDURES." The Board has in its Bond Resolutions covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay principal of and interest on the Bonds and the Outstanding Bonds. See "THE BONDS" and "RISK FACTORS." For the 2024 tax year, the District levied a total tax rate of $1.000 per $100 of assessed valuation made up of the following: a tax rate of $0.535 per $100 of assessed valuation for payment of debt service on bonds issued for the Utility System; a tax rate of $0.335 per $100 of assessed valuation for payment of debt service on bonds issued for the Road System; and a tax rate of $0.130 per $100 of assessed valuation for maintenance and operation purposes.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	$1.00 per $100 assessed valuation.
Maintenance and Operations (Road):	$0.25 per $100 assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolutions to levy and assess, for each year that all of or any part of the Bonds remain outstanding and unpaid, taxes adequate to provide funds to pay the principal of and interest on the Bonds.

In the System Bond Resolution, the Board also covenants to deposit into the System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the System Bonds authorized by the System Bond Resolution.

In the Road Bond Resolution, the Board also covenants to deposit into the Road System Debt Service Fund the proceeds from all taxes levied, appraised, and collected for payment of the Road Bonds authorized by the Road Bond Resolution.

For the 2024 tax year, the District levied a tax rate of $0.535 per $100 of assessed valuation for payment of debt service on bonds issued for the Utility System and a tax rate of $0.335 per $100 of assessed valuation for payment of debt service on bonds issued for the Road System.

Maintenance Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance and operations tax is authorized by vote of the District's electors. On November 3, 2020, the Board was authorized by a vote of the District's electors to levy such maintenance and operations tax in an amount not to exceed $1.00 per $100 of assessed valuation. The Board is authorized by the District's voters to levy a maintenance tax for road improvements in an amount not to exceed $0.25 per $100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future.

For the 2024 tax year, the District levied a tax rate of $0.13 per $100 of taxable assessed valuation for maintenance and operation purposes.

Tax Exemptions

To date, the District has not adopted any form of exemption from ad valorem taxation. See "TAXING PROCEDURES."

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District established an additional penalty of 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 Property Tax Code.

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the combined debt service tax rates per $100 of taxable assessed valuation which would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the taxable assessed valuation as of January 1, 2024 ($201,002,708), or the estimated taxable assessed valuation as of September 15, 2024 ($239,374,439). The calculations assume collection of 95% of taxes levied and the sale of no additional bonds by the District.

Average Annual Debt Service Requirement (2025–2049)	$	1,984,447
Tax Rate of $1.04 on the 2024 Taxable Assessed Valuation Produces	$	1,985,907
Tax Rate of $0.88 on the Estimated Taxable Assessed Valuation as of September 15, 2024, Produces	$	2,001,170
Maximum Annual Debt Service Requirement (2048)	$	2,217,195
Tax Rate of $1.17 on the 2024 Taxable Assessed Valuation Produces	$	2,234,145
Tax Rate of $0.98 on the Estimated Taxable Assessed Valuation as of September 15, 2024, Produces	$	2,228,576

Estimated Overlapping Taxes

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

Set forth below is an estimation of all taxes per $100 of taxable assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions, or any other charges made by entities other than political subdivisions. The following chart includes the 2024 taxes per $100 of taxable assessed valuation levied by all such taxing jurisdictions.

	2024 Tax Rate	
Taxing Jurisdiction	**Medina County**	**Bexar County**
The District	$ 1.000000	$1.000000
Medina County	0.364600	–
Medina County Hospital District	0.092900	–
Medina County Groundwater Conservation District	0.006950	–
County FM Road	0.086500	–
Medina Valley Independent School District	1.166900	–
Medina County Emergency Service District No. 1	0.100000	–
Bexar County Road & Flood	–	0.023668
San Antonio River Authority	–	0.017870
Alamo Community College	–	0.149150
Bexar County Hospital District	–	0.276235
Bexar County	–	0.276331
Northside Independent School District	–	1.004900
Bexar County Emergency Service District No. 2	–	0.086754
Total	$ 2.817850	$ 2.834908

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Taxable Assessed Valuation Summary

The following represents the type of property comprising the District's 2020-2024 tax rolls, as certified by the Appraisal Districts.

Type of Property	2024 Taxable Assessed Valuation (a)	2023 Taxable Assessed Valuation	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation
Land	$ 47,194,291	$ 42,087,935	$ 22,694,340	$ 5,889,442	$ 92,832
Improvements	168,972,798	125,845,711	26,635,810	95,120	2,480
Personal Property	—	—	—	—	—
Exemptions	(21,530,514)	(14,202,232)	(2,263,207)	—	—
Total	$ 194,636,575	$ 153,731,414	$ 47,066,943	$ 5,984,562	$ 95,312

(a) Such amount excludes $6,159,850 of assessed valuation assigned to properties that remain under review by the BAD.

Historical Collections

The following represents the historical tax collections for the District's 2020-2024 tax years.

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Collections Current Year	Current Year Ended 12/31	Collections 10/4/2024
2020	$ 95,312	$1.000	$ 953	99.64 %	2021	100.00 %
2021	5,984,562	1.000	59,846	98.97 %	2022	100.00 %
2022	47,066,943	1.000	470,669	99.07 %	2023	100.00 %
2023	153,731,414	1.000	1,537,314	99.31%	2024	99.29%
2024	194,636,575	1.000	1,946,366	(b)	2025	(b)

(a) Total tax rate per $100 of taxable assessed valuation for each respective tax year. See "TAX DATA – Tax Rate Distribution."
(b) In process of collections.

Tax Rate Distribution

The following represents the components of the tax rate for the District's 2020-2024 tax years.

	2024	2023	2022	2021	2020
Utility System Debt Service	$ 0.535	$ 0.460	$ 0.000	$ 0.000	$ 0.000
Road System Debt Service	0.335	0.265	0.000	0.000	0.000
Maintenance and Operations	0.130	0.275	1.000	1.000	1.000
Total	$ 1.000	$ 1.000	$ 1.000	$ 1.000	$ 1.000

Principal Taxpayers

The following represents the principal taxpayers on the District's 2024 tax roll, as certified by the Appraisal Districts.

Taxpayer	Type of Property	Assessed Valuation 2024 Tax Roll	% of Assessed Valuation
Continental Homes of Texas LP (a)	Land & Improvements	$ 10,915,950	5.61%
Hudson SFR Property Holdings II LLC	Land & Improvements	1,410,650	0.72%
Homeowner	Land & Improvements	556,220	0.29%
Homeowner	Land & Improvements	427,670	0.22%
LAMCO ASSET COMPANY 1 LLC	Land & Improvements	419,450	0.22%
Homeowner	Land & Improvements	417,360	0.21%
Homeowner	Land & Improvements	398,222	0.20%
Homeowner	Land & Improvements	385,640	0.20%
Homeowner	Land & Improvements	384,800	0.20%
Homeowner	Land & Improvements	384,360	0.20%
Total		$ 15,700,322	8.07%
Percent of Respective Tax Roll		8.07 %	

(a) See "HOMEBUILDER ACTIVE WITHIN THE DISTRICT," "DESCRIPTION OF THE DEVELOPER," and "RISK FACTORS- Factors Affecting Taxable Values and Tax Payments - Dependence on Principal Taxpayers."

THE UTILITY SYSTEM

Regulation

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

Water Supply

The District's water supply and water distribution within Bexar County is provided by San Antonio Water Services operating under Certificate of Convenience and Necessity No. 10640 ("CCN No. 10640") and doing business as San Antonio Water System (SAWS). The District's water supply and water distribution within Medina County is provided by a separate entity operating under Certificate of Convenience and Necessity No. 11463 ("CCN No. 11463") and doing business as Yancey Water Supply Corporation. The District does not have any interconnects.

The District does not own or operate any water supply facilities.

Wastewater Treatment Facilities

Wastewater collection and treatment is provided by SAWS, operating under Certificate of Convenience and Necessity No. 20285 ("CCN No. 20285") for wastewater collection and treatment. The District does not own or operate any wastewater treatment facilities.

Storm-Water Drainage Facilities

The District is located within the Lower Medina River watershed.

Storm water runoff within the District is routed through a concrete curb and gutter paved street system with inlets to reinforced concrete pipe storm water collector lines, ranging in size from 24 to 48 inches in diameter that outfall into existing drainage channels located within the District. All drainage facilities ultimately outfall into the Medina River. The internal storm drainage collection system is sized to carry the design flows based on single-family residential land uses and the storm drainage requirements of the City of San Antonio, Bexar County and Medina County. The District is responsible for maintenance of future detention basins.

THE ROAD SYSTEM

The road system serves residents of the District by providing access to the major thoroughfares and collectors within the development and surrounding area. The major thoroughfares and collectors serving the District are SH 211, Potranco Road, Galm Road, Goodenough Lane. The District will finance, design and construct the Road System in phases as development progresses. The District does not intend to maintain or operate the roads in Bexar County or Galm Road in Medina County once they are accepted by Bexar County. The District will maintain roads in the Road System in Medina County other than Galm Road in Medina County.

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Operating Statement

The following is a schedule of revenues and expenditures associated with operations of the District's General Fund. The District does not operate the Utility System that serves the District, and therefore the District does not collect water and sewer revenues. The figures below for the fiscal years ended December 31, 2020, through December 31, 2023, were obtained from the District's audited financial statements for the fiscal year ended December 31, 2023, a copy of which is attached hereto as "APPENDIX A" and reference to which is hereby made. The figures below from January 1, 2024 through September 30, 2024, are unaudited and were obtained from the District's bookkeeper. As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which audit reports are filed with the TCEQ.

	For Fiscal Year Ended 12/31				
	2024 (a)	2023	2022	2021*	2020*
Revenues					
Property taxes	$ 412,891	$ 467,349	$ 59,846	$ 953	$ -
Penalties and Interest			383	-	-
Miscellaneous			-	10	-
Investment earnings	28,827	13,355	12	11	8
Total Revenues	$ 441,718	$ 480,704	$ 60,241	$ 974	$ 8
Expenditures					
Operating and administrative					
Professional fees	$ 109,356	$ 102,747	$ 46,267	$ 70,892	$ 136,112
Contracted services	35,405	28,347	32,013	13,599	10,458
Administrative	17,665	12,827	12,566	12,364	29,496
Other	608	1,281	9,880	2,612	2,723
Total Expenditures	$ 163,034	$ 145,202	$ 100,726	$ 99,467	$ 178,789
Revenues Under Expenditures	$ 278,684	$ 335,502	$ (40,485)	$ (98,493)	$ (178,781)
Other Financing Sources					
Developer advances	$ -	$ (65,333)	$ 77,627	$ 103,485	$ 176,189
Internal transfer	$ -	$ 25,646	$ 25,926	$ -	$ -
Net changes in Fund Balance	$ 278,684	$ 295,815	$ 63,068	$ 4,992	$ (2,592)
Beginning Fund Balance	$ 361,283	$ 65,468	$ 2,400	(2,592)	$ -
Ending Fund Balance	$ 639,967	$ 361,283	$ 65,468	$ 2,400	$ (2,592)

*Unaudited

(a) Unaudited. Provided by the District Bookkeeper from January 1, 2024 thru September 30, 2024.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Texas Constitution and laws of Texas, payable from the proceeds of an annual ad valorem tax levied, without 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 Bond Counsel, to a like effect and to the effect that, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations for the purpose of determining the alternative minimum tax imposed on corporations.

Bond Counsel has reviewed the information appearing under "THE BONDS" (except for information under the subheadings "Book-Entry-Only System," "Use and Distribution of System Bond Proceeds," and "Use and Distribution of Road Bond Proceeeds"), "THE DISTRICT – Authority," "TAXING PROCEDURES," "LEGAL MATTERS," "TAX MATTERS," and "CONTINUING DISCLOSURE OF INFORMATION" solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law, the provisions of the documents referred to therein and conforms to the provisions of the Bond Resolutions approving the Bonds. Bond Counsel has not, however, independently verified any of the factual information contained herein nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel's limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

Allen Boone Humphries Robinson LLP, Houston, Texas, also serves as general counsel to the District on matters other than the issuance of bonds. The legal fees paid to Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the bonds actually issued, sold, and delivered and, therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

No-Litigation Certificate

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

No Material Adverse Change

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

TAX MATTERS

In the opinion of Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and interest on the Bonds is not subject to the alternative minimum tax on individuals; however, such interest is taken into account in determining the annual adjusted financial statement income of applicable corporations (as defined in section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations.

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

Bond Counsel's opinion will assume continuing compliance with the covenants of the Bond Resolution pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District, the Financial Advisor, and the Initial Purchasers with respect to matters solely within the knowledge of the District, the Financial Advisor, and the Initial Purchasers, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Resolution or if the foregoing representations should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an "exempt recipient" and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively-connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

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

Tax Accounting Treatment of Original Issue Discount

The issue price of certain of the Bonds (the "Original Issue Discount Bonds") is less than the stated redemption price at maturity. In such case, under existing law, and based upon the assumptions hereinafter stated (a) the difference between (i) the stated amount payable at the maturity of each Original Issue Discount Bond and (ii) the issue price of such Original Issue Discount Bond constitutes original issue discount with respect to such Original Issue Discount Bond in the hands of any owner who has purchased such Original Issue Discount Bond at the initial public offering price in the initial public offering of the Bonds; and (b) such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the period that such Original Issue Discount Bond continues to be owned by such owner.

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Bond was held by such initial owner) is includable in gross income. (Because original issue discount is treated as interest for federal income tax purposes, the discussion regarding interest on the Bonds under "TAX MATTERS" generally applies, except as otherwise provided below, to original issue discount on an Original Issue Discount Bond held by an owner who purchased such Bond at the initial offering price in the initial public offering of the Bonds, and should be considered in connection with the discussion in this portion of this Official Statement.)

The foregoing is based on the assumptions that (a) the Initial Purchasers have purchased the Bonds for contemporaneous sale to the general public and not for investment purposes, and (b) all of the Original Issue Discount Bonds have been offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a cash price (and with no other consideration being included) equal to the initial offering prices thereof stated on the inside cover, and (c) the respective initial offering prices of the Original Issue Discount Bonds to the general public are equal to the fair market value thereof. Neither the District nor Bond Counsel warrants that the Original Issue Discount Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six (6)-month period ending on the date before the semiannual anniversary dates of the Bonds and ratably within each such six (6)-month period) and the accrued amount is added to an initial owner's basis for such Bond for purposes of determining the amount of gain or loss recognized by such owner upon 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 plus 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 Bond.

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

NOT Qualified Tax-Exempt Obligations

The Bonds are NOT "qualified tax-exempt obligations" for financial institutions.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Resolutions, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to certain information to the Municipal Securities Rulemaking Board ("MSRB"). The MSRB established the Electronic Municipal Market Access ("EMMA") system.

Annual Reports

The District will provide certain updated financial information and operating data to EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included under "DISTRICT DEBT" (except under the subheadings "Estimated Direct and Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A" (Financial Statements of the District). The District will update and provide this information to EMMA within six months after the end of each of its fiscal years ending in or after 2024. Any information 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. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six month period, and audited financial statements when the audit report becomes available.

Any information 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 Texas law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to EMMA within such six (6) month period, and audited financial statements when the audit report becomes available.

The District's current fiscal year end is December 31. Accordingly, it must provide updated information by June 30 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of 10 business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the District or other obligated person; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person or the sale of all or substantially all of the assets of the District or other obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person, any of which reflect financial difficulties. The terms "obligated person" and "financial obligations" when used in this paragraph shall have the meanings ascribed to them under SEC Rule 15c2-12 (the "Rule").

The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Resolution make any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement discussed under "CONTINUING DISCLOSURE OF INFORMATION – Annual Reports."

Availability of Information from EMMA

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

Limitations and Amendments

The District has agreed to update information and to provide notices of material 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, operations, conditions, or prospects or to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although registered owners and beneficial owners of the Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt the changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The District may amend or repeal the agreement in the Bond Resolution if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid or unenforceable, but only to the extent that its right to do so would not prevent the Initial Purchasers 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 discussed under "CONTINUING DISCLOSURE OF INFORMATION – 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

During the past five years, the District has complied in all material respects with its continuing disclosure undertakings in accordance with the Rule.

OFFICIAL STATEMENT

General

The information contained herein has been obtained primarily from the District's records, the Engineer, the Developer, the Tax Assessor/Collector, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. All of the summaries of the statutes, resolutions, orders, contracts, audits, and engineering and other related reports set forth herein 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 for further information.

The District's financial statements for the fiscal year ended December 31, 2023, were audited by the Auditor and are attached hereto as "APPENDIX A." The Auditor has consented to the publication of such financial statements herein.

Experts

The information contained herein relating to engineering and to the description of the Utility System, and the Road System and, in particular, that engineering information included under "THE BONDS – Use and Distribution of System Bond Proceeds," "THE BONDS – Use and Distribution of Road Bond Proceeds," "THE DISTRICT – Description", "THE UTILITY SYSTEM" and "THE ROAD 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.

The information contained herein relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations included under "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal Districts. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal Districts' authority as an expert in the field of tax assessing.

Certification as to Official Statement

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

Updating of Official Statement

If, subsequent to the date of this Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Initial Purchasers, of any adverse event which causes this Official Statement to be materially misleading, and unless the Initial Purchasers elect 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 this Official Statement satisfactory to the Initial Purchasers; provided, however, that the obligation of the District to so amend or supplement this Official Statement will terminate when the District delivers the Bonds to the Initial Purchasers, unless the Initial Purchasers notify the District in writing on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

CONCLUDING STATEMENT

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

This Official Statement was approved by the Board of Directors of Redbird Ranch Water Control and Improvement District No. 2 as of the date shown on the cover.

/s/Michael Kent
President, Board of Directors
Redbird Ranch Water Control and Improvement District No. 2

ATTEST:

/s/ John Moake
Secretary, Board of Directors
Redbird Ranch Water Control and Improvement District No. 2

APPENDIX A

Financial Statements of the District

MONTGOMERY COUNTY MUNICIPAL

UTILITY DISTRICT NO. 174

MONTGOMERY COUNTY, TEXAS

ANNUAL AUDIT REPORT

SEPTEMBER 30, 2023

CONTENTS

Mark C. Eyring, CPA, PLLC

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January 18, 2024

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Montgomery County Municipal
Utility District No. 174
Montgomery County, Texas

Opinions

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Municipal Utility District No. 174 as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Montgomery County Municipal Utility District No. 174's basic financial statements as listed in the table of contents.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Montgomery County Municipal Utility District No. 174, as of September 30, 2023, and the respective changes in financial position and, where applicable, cash flows there of for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of Montgomery County Municipal Utility District No. 174, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my 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 Montgomery County Municipal Utility District No. 174'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

My 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 my 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, I exercise professional judgment and maintain professional skepticism throughout the audit. I 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. I 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 Montgomery County Municipal Utility District No. 174's internal control. Accordingly, no such opinion is expressed. I 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. I conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Montgomery County Municipal Utility District No. 174's ability to continue as a going concern for a reasonable period of time.

I am 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 I identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

INDEPENDENT AUDITOR'S REPORT (Continued)

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Montgomery County Municipal Utility District No. 174's basic financial statements. The supplementary information on Pages 22 to 34 is presented for purposes of additional analysis and is not a required part of the 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 financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it. The accompanying supplementary information includes financial data excerpted from prior year financial statements which were audited by my firm.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Montgomery County Municipal Utility District No. 174 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended September 30, 2023.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by the Texas Commission on Environmental Quality ("TCEQ"). In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of sewer, drainage and road services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's' activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds, and expenditures for water, sewer, drainage and road systems from this fund are subject to the Rules of the Texas Commission on Environmental Quality and/or the Bond Orders. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and service revenues and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, capital assets and depreciation expense have been required to be recorded at historical cost. Management's policy is to maintain the District's capital assets in a condition greater than or equal to the condition required by regulatory authorities, and management does not believe that depreciation expense is relevant to the management of the District. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	2023	2022	Change
Current and other assets	$ 693,465	$ 6,941	$ 686,524
Capital assets	7,748,251	8,057,075	(308,824)
Total assets	8,441,716	8,064,016	377,700
Long-term liabilities	10,977,223	8,142,075	2,835,148
Other liabilities	339,299	18,916	320,383
Total liabilities	11,316,522	8,160,991	3,155,531
Net position:			
Invested in capital assets, net of related debt	(2,955,404)		(2,955,404)
Restricted	87,786		87,786
Unrestricted	(7,188)	(96,975)	89,787
Total net position	$ (2,874,806)	$ (96,975)	$ (2,777,831)

Summary of Changes in Net Position

	2023	2022	Change
Revenues:			
Property taxes, including related penalty and interest	$ 265,333	$ 23,287	$ 242,046
Other	4,733	1,110	3,623
Total revenues	270,066	24,397	245,669
Expenses:			
Service operations	2,483,421	75,349	2,408,072
Debt service	564,476	0	564,476
Total expenses	3,047,897	75,349	2,972,548
Change in net position	(2,777,831)	(50,952)	(2,726,879)
Net position, beginning of year	(96,975)	(46,023)	(50,952)
Net position, end of year	$ (2,874,806)	$ (96,975)	$ (2,777,831)

Financial Analysis of the District's Funds

The District's combined fund balances as of the end of the fiscal year ended September 30, 2023, were $659,330, an increase of $671,305 from the prior year.

The General Fund balance increased by $122,094, in accordance with the District's financial plan.

The Debt Service Fund balance increased by $304,189, in accordance with the District's financial plan.

The Capital Projects Fund balance increased by $245,022, as bond proceeds and interest earnings on deposits exceeded authorized expenditures.

General Fund Budgetary Highlights

The Board of Directors did not amend the budget during the fiscal year. The District's budget is primarily a planning tool. Accordingly, actual results varied from the budgeted amounts. A comparison of actual to budgeted amounts is presented on Page 21 of this report. The budgetary fund balance as of September 30, 2023, was expected to be $91,653 and the actual end of year fund balance was $110,119.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	Capital Assets (Net of Accumulated Depreciation)		
	2023	2022	Change
Detention ponds	$ 2,164,252	$	$ 2,164,252
Impact fees	1,036,800		1,036,800
Construction in progress	4,547,199	8,057,075	(3,509,876)
Totals	$ 7,748,251	$ 8,057,075	$ (308,824)

Changes to capital assets during the fiscal year ended September 30, 2023, are summarized as follows:

Additions:	
Utilities, roads and other facilities constructed by developer	$ 1,341,048
Decreases:	
Utilities transferred to other entity	(1,649,872)
Net change to capital assets	$ (308,824)

Debt

Changes in the bonded debt position of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Bonded debt payable, beginning of year	$ 0
Bonds sold	6,660,000
Bonded debt payable, end of year	$ 6,660,000

At September 30, 2023, the District had $68,840,000 unlimited tax bonds authorized but unissued for water, sanitary sewer, drainage and storm sewer purposes, $42,000,000 for road purposes authorized but unissued and $20,000,000 for recreational facilities authorized but unissued.

The District's bonds are not rated or insured.

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of September 30, 2023, the cumulative amount of developer advances for this purpose was $117,922.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing roads, water, sewer and drainage facilities on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the TCEQ, as applicable. At September 30, 2023, the estimated amount due to the developer was $4,547,199.

ADDITIONAL RELEVANT FACTORS

Property Tax Base

The District's tax base increased approximately $17,930,000 for the 2022 tax year due to the increase in the average assessed valuations on existing property.

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5 of the Notes to the Financial Statements.

Relationship to the City of Magnolia

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City of Magnolia (the "City"), the District must conform to a City ordinance consenting to the creation of the District. In addition, the District may be annexed by the City. If the District is annexed, the City will assume the District's assets and obligations (including the bonded indebtedness) and dissolve the District within ninety (90) days.

Utilizing a provision of Texas law, the District approved entry into a Strategic Partnership Agreement ("SPA") with the City effective as of October 13, 2020. The SPA provides for the limited purpose annexation of land within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The term of the SPA is 40 years from the effective date, unless earlier terminated and shall be automatically extended for additional ten (10) year terms unless parties provide written notice three months prior. Under the terms of the SPA, the City may annex all or part of the District for full purpose at any time after the tenth anniversary of the effective date of the SPA. Subsequent to the District approval, the City requested that the District rescind the SPA, and to date the District and the City have not entered into a SPA.

The District has entered into a Utility Agreement (the "Agreement") with the City, as amended March 9, 2021 and October 12, 2021, to provide water and wastewater treatment services within the District. Under the terms of the Agreement, the District will construct, or have constructed, a water distribution system and a wastewater collection system. Upon completion of such system, the system will be conveyed to the City. In consideration of the District's construction and conveying such systems, the City shall assume all operation and maintenance responsibilities for the systems.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

SEPTEMBER 30, 2023

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	$ 79,302	$	$	$ 79,302	$	$ 79,302
Temporary investments, at cost, Note 7		304,189	306,733	610,922		610,922
Receivables:						
Property taxes	615			615		615
Other	2,626			2,626		2,626
Due from other fund	61,711			61,711	(61,711)	0
Capital assets, net of accumulated depreciation, Note 4:						
Capital assets not being depreciated				0	7,748,251	7,748,251
Total assets	$ 144,254	$ 304,189	$ 306,733	$ 755,176	7,686,540	8,441,716
LIABILITIES						
Accounts payable	$ 33,520	$	$	$ 33,520		33,520
Accrued interest payable				0	157,681	157,681
Due to other fund			61,711	61,711	(61,711)	0
Long-term liabilities, Note 5:						
Due within one year				0	148,098	148,098
Due in more than one year				0	10,977,223	10,977,223
Total liabilities	33,520	0	61,711	95,231	11,221,291	11,316,522
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	615	0	0	615	(615)	0
FUND BALANCES / NET POSITION						
Fund balances:						
Restricted for bond interest, Note 5		303,744		303,744	(303,744)	0
Assigned to:						
Debt service		445		445	(445)	0
Capital projects			245,022	245,022	(245,022)	0
Unassigned	110,119			110,119	(110,119)	0
Total fund balances	110,119	304,189	245,022	659,330	(659,330)	0
Total liabilities, deferred inflows, and fund balances	$ 144,254	$ 304,189	$ 306,733	$ 755,176		
Net position:						
Invested in capital assets, net of related debt, Note 4					(2,955,404)	(2,955,404)
Restricted for debt service					(157,236)	(157,236)
Restricted for capital projects					245,022	245,022
Unrestricted, Note 5					(7,188)	(7,188)
Total net position					$ (2,874,806)	$ (2,874,806)

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	$ 264,718	$	$	$ 264,718	$ 615	$ 265,333
Penalty and interest	3,380			3,380		3,380
Connection fees	460			460		460
Interest on deposits and investments		445	448	893		893
Total revenues	268,558	445	448	269,451	615	270,066
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	91,731		61,281	153,012	110,963	263,975
Contracted services	31,014			31,014		31,014
Repairs and maintenance	33,932			33,932		33,932
Administrative expenditures	22,709			22,709		22,709
Capital outlay / non-capital outlay			4,850,924	4,850,924	(3,312,015)	1,538,909
Interest on developer construction			592,882	592,882		592,882
Debt service:						
Bond issuance expenditures			406,795	406,795		406,795
Interest and fees	0			0	157,681	157,681
Total expenditures / expenses	179,386	0	5,911,882	6,091,268	(3,043,371)	3,047,897
Excess (deficiency) of revenues over expenditures	89,172	445	(5,911,434)	(5,821,817)	3,043,986	(2,777,831)
OTHER FINANCING SOURCES (USES)						
Bonds issued, Note 5		503,544	6,156,456	6,660,000	(6,660,000)	0
Bond issuance discount, Note 5		(199,800)		(199,800)	199,800	0
Developer advances, Note 5	32,922			32,922	(32,922)	0
Total other financing sources (uses)	32,922	303,744	6,156,456	6,493,122	(6,493,122)	0
Net change in fund balances / net position	122,094	304,189	245,022	671,305	(3,449,136)	(2,777,831)
Beginning of year	(11,975)	0	0	(11,975)	(85,000)	(96,975)
End of year	$ 110,119	$ 304,189	$ 245,022	$ 659,330	$ (3,534,136)	$ (2,874,806)

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

NOTES TO THE FINANCIAL STATEMENTS

SEPTEMBER 30, 2023

NOTE 1: REPORTING ENTITY

Montgomery County Municipal Utility District No. 174 (the "District") was created by Act of the 86th Texas Legislature, Regular Session, as a municipal utility district. The District operates in accordance with Texas Water Code Chapters 49 and 54, Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution and Chapter 8066 of the Texas Special District Local Laws Code. The District is located within the extra territorial jurisdiction of the City of Magnolia and within Montgomery County, Texas. The District is a political subdivision of the State of Texas, governed by an elected five member Board of Directors. The Board of Directors held its first meeting on August 5, 2020. The District is subject to the continuing supervision of the TCEQ with respect to water, wastewater and drainage. The District is empowered, among other things, to provide for water, wastewater, drainage and road facilities.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District may provide garbage disposal and collection services and construct and maintain recreational facilities. In addition, pursuant to Texas Water Code Section 54.234, the District is authorized to construct, acquire, improve, maintain or operate roads located within its boundaries. In addition, the District is empowered, if approved by the electorate, the TCEQ and other governmental entities having jurisdiction, to establish, operate and maintain a fire department, either independently or jointly with certain other districts.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position is reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The District first utilizes restricted resources to finance qualifying activities. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts and other receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

Capital Assets

Capital assets, which include property, plant, equipment, and immovable public domain or "infrastructure" assets are reported in the government-wide financial statements. Capital assets are defined by the District as assets with an initial individual cost of more than $15,000 (including installation costs, if any, and associated professional fees) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed by the District. Donated capital assets are recorded at historical cost. Additions, improvements and other capital outlays that significantly extend the useful life of an asset or increase the value of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Depreciation on capital assets is computed using the straight-line method over the following estimated useful lives:

Plant and equipment	10-45 years
Underground lines	45 years
Roads	45 years

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures of the fund from which they are paid.

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year		$ 659,330
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:		
Total capital assets, net		7,748,251
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:		
Bonds payable	$ (6,660,000)	
Issuance discount (to be amortized as interest expense)	199,800	
Due to developers for operating advances	(117,922)	
Due to developers for construction	(4,547,199)	(11,125,321)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:		
Uncollected property taxes		615
Some liabilities that do not require the use of current financial resources are not reported as liabilities in the funds:		
Accrued interest		(157,681)
Net position, end of year		$ (2,874,806)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	$ 671,305
The funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	3,201,052
The issuance of long-term debt (bonds payable) provides current financial resources to the funds, while the repayment of the principal of long-term debt consumes the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Bonds issued	(6,660,000)
The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Developer advances	(32,922)
The funds report the effect of bond premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of these items:	
Issuance discount	199,800
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:	
Uncollected property taxes	615
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds:	
Accrued interest	(157,681)
Change in net position	$ (2,777,831)

NOTE 4: CAPITAL ASSETS

At September 30, 2023, “Invested in capital assets, net of related debt” was $(2,955,404). This amount was negative primarily because the District transfers the ownership of capital assets constructed by the District to the City of Magnolia (the “City”). As further described in Note 9, under the terms of the utility agreement with the City, the District is to pay for construction of a water distribution system, sanitary sewer collection system, drainage system, road system and recreational facilities to serve the District. The District shall be the owner of each phase of the construction of each system until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the utility agreement are retired. The drainage system and recreational facilities shall be owned and retained by the District, or the homeowners association serving the land, and will not be transferred to another entity.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Capital asset activity for the fiscal year ended September 30, 2023, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Detention ponds	$	$ 2,164,252	$	$ 2,164,252
Impact fees		1,036,800		1,036,800
Construction in progress	8,057,075	1,341,048	4,850,924	4,547,199
Total capital assets not being depreciated	8,057,075	4,542,100	4,850,924	7,748,251
Total capital assets, net	$ 8,057,075	$ 4,542,100	$ 4,850,924	$ 7,748,251
Changes to capital assets:				
Capital outlay		$ 3,201,052	$	
Assets transferred to non-depreciable assets		3,201,052	3,201,052	
Transfer of assets to other entities		1,649,872	1,649,872	
Increase in liability to developer for construction		1,341,048		
Capital outlay paid (decrease in liability) to developer		(4,850,924)		
Net increases / decreases to capital assets		$ 4,542,100	$ 4,850,924	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended September 30, 2023, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable	$ 0	$ 6,660,000	$	$ 6,660,000	$ 160,000
Add (less) deferred amounts:					
For issuance (discounts) premiums	0	(199,800)		(199,800)	(11,902)
Total bonds payable	0	6,460,200	0	6,460,200	148,098
Due to developers for operating advances (see below)	85,000	32,922		117,922	-----------
Due to developers for construction (see below)	8,057,075	1,341,048	4,850,924	4,547,199	-----------
Total due to developers	8,142,075	1,373,970	4,850,924	4,665,121	0
Total long-term liabilities	$ 8,142,075	$ 7,834,170	$ 4,850,924	$ 11,125,321	$ 148,098

NOTES TO THE FINANCIAL STATEMENTS (Continued)

As of September 30, 2023, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 160,000	$ 287,205	$ 447,205
2025	150,000	297,700	447,700
2026	160,000	291,700	451,700
2027	165,000	285,300	450,300
2028	175,000	278,700	453,700
2029 - 2033	1,000,000	1,282,238	2,282,238
2034 - 2038	1,260,000	1,050,937	2,310,937
2039 - 2043	1,585,000	737,113	2,322,113
2044 - 2048	2,005,000	310,250	2,315,250
	$ 6,660,000	$ 4,821,143	$ 11,481,143

Water, sewer and drainage bonds voted*	$ 75,500,000
Water, sewer and drainage bonds approved for sale and sold	6,660,000
Water, sewer and drainage bonds voted and not issued	68,840,000
Road bonds voted*	$ 42,000,000
Road bonds approved for sale and sold	0
Road bonds voted and not issued	42,000,000
Recreational facilities bonds voted*	$ 20,000,000
Recreational facilities bonds approved for sale and sold	0
Recreational facilities bonds voted and not issued	20,000,000

*Refunding bonds were voted in the same amount for each category.

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

The bond issues payable at September 30, 2023, were as follows:

	Series 2023
Amounts outstanding, September 30, 2023	$6,660,000
Interest rates	4.00% to 5.00%
Maturity dates, serially beginning/ending	September 1, 2024/2048
Interest payment dates	March 1/September 1
Callable dates	September 1, 2029*

*Or any date thereafter, in whole or in part, callable at par plus unpaid accrued interest to the date fixed for redemption.

In accordance with the Series 2023 Bond Order, a portion of the bond proceeds was deposited into the Debt Service Fund and reserved for the payment of bond interest. This bond interest reserve is reduced as the interest is paid. Transactions for the current year are summarized as follows:

Bond interest reserve, beginning of year:	$ 0
12 months' interest from sale of Series 2023 bonds	303,744
Bond interest reserve, end of year	$ 303,744

Developer Construction Commitments, Liabilities and Advances

The developer within the District has advanced funds to the District to cover initial operating deficits. At September 30, 2023, the cumulative amount of unreimbursed developer advances was $117,922. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of $110,734.

The developer within the District has constructed certain underground facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of future bond issues to the extent approved by the TCEQ. The District's engineer stated that unreimbursed cost of the construction in progress at September 30, 2023, was $4,547,199. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTE 6: PROPERTY TAXES AND CONCENTRATION OF TAX BASE

The Montgomery County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county Appraisal Review Board. The appraisal roll, as approved by the Appraisal Review Board, must be used by the District in establishing its tax roll and tax rate. The District's taxes are usually levied in the fall, are due when billed and become delinquent after September 30 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held November 3, 2020, the voters within the District authorized a maintenance tax not to exceed $1.50 per $100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District. The voters also authorized a road maintenance tax not to exceed $0.25 per $100 valuation on all property subject to taxation within the District. This road maintenance tax is to be used for the operation and maintenance of a road system and related storm drainage system within the District. There is no tax limitation on the rate or amount of taxes that can be levied to pay debt service on water, wastewater and drainage bonds.

On September 15, 2022, the District levied the following ad valorem taxes for the 2022 tax year on the adjusted taxable valuation of $19,654,305:

	Rate	Amount
Maintenance	$ 1.35000	$ 265,333

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes or use other debt service funds available to meet the debt service obligations described in Note 5.

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions and in TexPool, a local government investment pool sponsored by the State Comptroller. TexPool is rated AAAm by Standard & Poor's.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

At the balance sheet date the carrying value and market value of the investments in TexPool was $610,922.

Deposits and temporary investments restricted by state statutes and Bond Orders:

Debt Service Fund	
For payment of debt principal and interest, paying agent fees and costs of assessing and collecting taxes:	
Temporary investments	$ 304,189
Capital Projects Fund	
For construction of capital assets:	
Temporary investments	$ 306,733

NOTE 8: RISK MANAGEMENT

The District is exposed to various risks of loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past two fiscal years.

On September 30, 2023, the District had physical damage and boiler and machinery coverage of $126,774, comprehensive general liability coverage with a per occurrence limit of $1,000,000 and $3,000,000 general aggregate, consultant's crime coverage of $10,000 and a tax assessor-collector bond of $10,000.

NOTE 9: AGREEMENTS WITH THE CITY OF MAGNOLIA

Utility Agreement

The District's developer, on behalf of the District, entered into a Utility Agreement (the "Agreement") with the City of Magnolia (the "City") on March 12, 2019 (assigned to the District on August 5, 2020), as amended March 9, 2021 and October 12, 2021. The District obtains water, sewer and drainage service from the City. Under the terms of the Agreement, the District will construct, or have constructed, a water distribution system, sanitary sewer collection system, drainage system, road system and recreational facilities to serve the District. Upon completion of such system, the system will be conveyed to the City. The City shall make monthly payments to the District equal to ten dollars ($10) per equivalent single-family connection located within the District. The obligation of the City to make such monthly payments shall terminate upon the earlier of the following: (i) the termination of the Agreement; (ii) whenever the debt of the District is paid off; or (iii) twenty-five (25) years from the date of issuance of the District's first series of bonds. The District accrued connection fees revenue of $460 during the year ended September 30, 2023.

Strategic Partnership Agreement

Utilizing a provision of Texas law and as required by the Utility Agreement, the District approved entry into a Strategic Partnership Agreement ("SPA") with the City effective as of October 13, 2020. The SPA provides for the limited purpose annexation of land within the District into the City for the limited purposes of imposition of the City's Sales and Use Tax, certain municipal court jurisdictions, and health inspection services and enforcement. The properties made subject to the SPA may not be taxed for ad valorem purposes by the City. Additional properties may become subject to the SPA by amending the SPA upon the consent of the City and the District. The term of the SPA is 40 years from the effective date, unless earlier terminated and shall be automatically extended for additional ten (10) year terms unless parties provide written notice three months prior. Under the terms of the SPA, the City may annex all or part of the District for full purpose at any time after the tenth anniversary of the effective date of the SPA. Subsequent to the District approval, the City requested that the District rescind the SPA, and to date the District and the City have not entered into a SPA.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Property taxes	$ 250,000	$ 250,000	$ 264,718	$ 14,718
Penalty	0	0	3,380	3,380
Connection fees	1,440	1,440	460	(980)
TOTAL REVENUES	251,440	251,440	268,558	17,118
EXPENDITURES				
Service operations:				
Professional fees	66,000	66,000	91,731	25,731
Contracted services	25,000	25,000	31,014	6,014
Repairs and maintenance	22,837	22,837	33,932	11,095
Administrative expenditures	33,975	33,975	22,709	(11,266)
Capital outlay	0	0	0	0
TOTAL EXPENDITURES	147,812	147,812	179,386	31,574
EXCESS REVENUES (EXPENDITURES)	103,628	103,628	89,172	(14,456)
OTHER FINANCING SOURCES (USES)				
Developer advances	0	0	32,922	32,922
TOTAL OTHER FINANCIAL SOURCES (USES)	0	0	32,922	32,922
EXCESS SOURCES (USES)	103,628	103,628	122,094	18,466
FUND BALANCE, BEGINNING OF YEAR	(11,975)	(11,975)	(11,975)	0
FUND BALANCE, END OF YEAR	$ 91,653	$ 91,653	$ 110,119	$ 18,466

The District's Board of Directors adopts an annual nonappropriated budget. This budget may be amended throughout the fiscal year and is prepared on a basis consistent with generally accepted accounting principles.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

SEPTEMBER 30, 2023

(Schedules included are checked or explanatory notes provided for omitted schedules.)

[X] TSI-1. Services and Rates

[X] TSI-2. General Fund Expenditures

[X] TSI-3. Temporary Investments

[X] TSI-4. Taxes Levied and Receivable

[X] TSI-5. Long-Term Debt Service Requirements by Years

[X] TSI-6. Changes in Long-Term Bonded Debt

[X] TSI-7. Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Year

[X] TSI-8. Board Members, Key Personnel and Consultants

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

SCHEDULE OF SERVICES AND RATES

SEPTEMBER 30, 2023

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

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

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

__ Other

2. Retail Service Providers

   a. Retail Rates for a 5/8" meter (or equivalent):

      Not Applicable. See Note 9 of the Notes to the Financial Statements.

   b. Water and Wastewater Retail Connections:

      Not Applicable. See Note 9 of the Notes to the Financial Statements.

3. Total Water Consumption during the Fiscal Year (rounded to thousands):

   Not Applicable. See Note 9 of the Notes to the Financial Statements.

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

   Does the District have Debt Service standby fees? Yes __ No X

   If yes, date of the most recent Commission Order: ____________________

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

   If yes, date of the most recent Commission Order: ____________________

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

EXPENDITURES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
CURRENT				
Professional fees:				
Auditing	$ 6,000	$	$	6,000
Legal	61,782		61,281	123,063
Engineering	23,949			23,949
	91,731	0	61,281	153,012
Contracted services:				
Bookkeeping	20,363			20,363
Tax assessor-collector	9,375			9,375
Appraisal district	1,276			1,276
	31,014	0	0	31,014
Repair and maintenance	33,932	0	0	33,932
Administrative expenditures:				
Director's fees	6,765			6,765
Office supplies and postage	8,564			8,564
Insurance	4,510			4,510
Other	2,870			2,870
	22,709	0	0	22,709
CAPITAL OUTLAY				
Authorized expenditures	0	0	4,850,924	4,850,924
Interest on developer construction	0	0	592,882	592,882
DEBT SERVICE				
Bond issuance expenditures	0	0	406,795	406,795
TOTAL EXPENDITURES	$ 179,386	$ 0	$ 5,911,882	$ 6,091,268

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Totals (Memorandum Only)
SOURCES OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash receipts from revenues excluding maintenance taxes	$ 3,840	$ 445	$ 448	$ 4,733
Maintenance tax receipts		264,718		264,718
Proceeds from sale of bonds		303,744	6,156,456	6,460,200
Transfer of maintenance taxes	264,718			264,718
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS PROVIDED	268,558	568,907	6,156,904	6,994,369
APPLICATIONS OF DEPOSITS AND TEMPORARY INVESTMENTS				
Cash disbursements for:				
Current expenditures	134,486		61,281	195,767
Capital outlay			5,382,095	5,382,095
Debt service			406,795	406,795
Other fund	61,711			61,711
Maintenance tax transfers		264,718		264,718
TOTAL DEPOSITS AND TEMPORARY INVESTMENTS APPLIED	196,197	264,718	5,850,171	6,311,086
INCREASE (DECREASE) IN DEPOSITS AND TEMPORARY INVESTMENTS	72,361	304,189	306,733	683,283
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, BEGINNING OF YEAR	6,941	0	0	6,941
DEPOSITS AND TEMPORARY INVESTMENTS BALANCES, END OF YEAR	$ 79,302	$ 304,189	$ 306,733	$ 690,224

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

SCHEDULE OF TEMPORARY INVESTMENTS

SEPTEMBER 30, 2023

	Interest Rate	Maturity Date	Year End Balance	Accrued Interest Receivable
DEBT SERVICE FUND				
TexPool				
No. 7990300001	Market	On demand	$ 304,189	$ 0
CAPITAL PROJECTS FUND				
TexPool				
No. 7990300002	Market	On demand	$ 306,733	$ 0
Total – All Funds			$ 610,922	$ 0

See accompanying independent auditor's report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

TAXES LEVIED AND RECEIVABLE

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Maintenance Taxes
RECEIVABLE, BEGINNING OF YEAR	$ 0
2022 ADJUSTED TAX ROLL	265,333
Total to be accounted for	265,333
Tax collections: Current tax year	(264,718)
Prior tax years	0
RECEIVABLE, END OF YEAR	$ 615
RECEIVABLE, BY TAX YEAR	
2022	$ 615
RECEIVABLE, END OF YEAR	$ 615

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

TAXES LEVIED AND RECEIVABLE (Continued)

FOR THE YEAR ENDED SEPTEMBER 30, 2023

ADJUSTED PROPERTY VALUATIONS AS OF JANUARY 1 OF TAX YEAR	2022	2021	2020**
Land	$ 15,544,900	$ 1,581,570	$ 1,805,690
Improvements	5,614,100	143,360	450,930
Personal property	96,936	0	0
Less exemptions	(1,601,631)	0	0
TOTAL PROPERTY VALUATIONS	$ 19,654,305	$ 1,724,930	$ 2,256,620
TAX RATES PER $100 VALUATION			
Debt service tax rates	$ 0.00000	$ 0.00000	$ 0.00000
Maintenance tax rates*	1.35000	1.35000	1.35000
TAX ROLLS	$ 265,333	$ 23,287	$ 30,464
PERCENT OF TAXES COLLECTED TO TAXES LEVIED	99.9 %	100 %	100 %

*Maximum tax rate approved by voters on November 3, 2020: $1.50

**The District first levied taxes for tax year 2020.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

LONG-TERM DEBT SERVICE REQUIREMENTS, BY YEARS

SEPTEMBER 30, 2023

	Series 2023		
Due During Fiscal Years Ending September 30	Principal Due September 1	Interest Due March 1, September 1	Total
2024	$ 160,000	$ 287,205	$ 447,205
2025	150,000	297,700	447,700
2026	160,000	291,700	451,700
2027	165,000	285,300	450,300
2028	175,000	278,700	453,700
2029	180,000	271,700	451,700
2030	190,000	264,500	454,500
2031	200,000	256,900	456,900
2032	210,000	248,900	458,900
2033	220,000	240,238	460,238
2034	230,000	230,888	460,888
2035	240,000	221,112	461,112
2036	250,000	210,912	460,912
2037	265,000	199,975	464,975
2038	275,000	188,050	463,050
2039	290,000	175,675	465,675
2040	305,000	162,625	467,625
2041	315,000	148,138	463,138
2042	330,000	133,175	463,175
2043	345,000	117,500	462,500
2044	365,000	100,250	465,250
2045	380,000	82,000	462,000
2046	400,000	63,000	463,000
2047	420,000	43,000	463,000
2048	440,000	22,000	462,000
TOTALS	$ 6,660,000	$ 4,821,143	$ 11,481,143

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

ANALYSIS OF CHANGES IN LONG-TERM BONDED DEBT

FOR THE YEAR ENDED SEPTEMBER 30, 2023

Bond Series:	2023
Interest Rate:	4.00% to 5.00%
Dates Interest Payable:	March 1/ September 1
Maturity Dates:	September 1, 2024/2048
Bonds Outstanding at Beginning of Current Year	$ 0
Add Bonds Sold	6,660,000
Less Retirements	0
Bonds Outstanding at End of Current Year	$ 6,660,000
Current Year Interest Paid	$ 0

Bond Descriptions and Original Amount of Issue

Montgomery County Municipal Utility District No. 174 Unlimited Tax Bonds, Series 2023 ($6,660,000)

Paying Agent/Registrar

BOKF, N.A., Dallas, Texas

Bond Authority	Tax Bonds*	Other Bonds	Refunding Bonds
Amount Authorized by Voters:	$ 137,500,000	$ 0	$ 137,500,000
Amount Issued:	6,660,000		0
Remaining to be Issued:	130,840,000		137,500,000

*See Note 5 of the notes to financial statements for additional information.

Net Debt Service Fund deposits and investments balances as of September 30, 2023:	$ 304,189
Average annual debt service payment for remaining term of all debt:	459,246

See accompanying independent auditor’s report.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023*	2022	2021**	2020	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	$ 264,718	$ 23,287	$ 30,464	$	$	98.5 %	95.5 %	94.7 %	%	%
Penalty and other revenues	3,380		1,718			1.3	0.0	5.3		
Connection fees	460	1,110				0.2	4.5	0.0		
TOTAL REVENUES	268,558	24,397	32,182	0	0	100.0	100.0	100.0	N/A	N/A
EXPENDITURES										
Service operations:										
Professional fees	91,731	21,288	43,491			34.2	87.3	135.1		
Contracted services	31,014	27,468	16,367			11.5	112.5	50.9		
Repairs and maintenance	33,932	10,810				12.6	44.3	0.0		
Administrative expenditures	22,709	15,783	18,349			8.5	64.7	57.0		
TOTAL EXPENDITURES	179,386	75,349	78,207	0	0	66.8	308.8	243.0	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	$ 89,172	$ (50,952)	$ (46,025)	$ 0	$ 0	33.2 %	(208.8) %	(143.0) %	N/A %	N/A %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

*District was funded by developer advances for fiscal years 2023 and prior.

**First year of financial activity.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, DEBT SERVICE FUND

FOR YEARS ENDED SEPTEMBER 30

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2023*	2022	2021	2020*	2019	2023	2022	2021	2020	2019
REVENUES										
Property taxes	$ 0					0.0 %	%	%	%	%
Penalty and interest	0					0.0				
Interest on deposits	445					100				
TOTAL REVENUES	445	0	0	0	0	100.0	0.0	0.0	0.0	0.0
EXPENDITURES										
Current:										
Professional fees	0									
Contracted services	0									
Other expenditures	0									
Debt service:										
Principal retirement	0									
Interest and fees	0									
TOTAL EXPENDITURES	0	0	0	0	0	N/A	0.0	0.0	0.0	0.0
EXCESS REVENUES (EXPENDITURES)	$ 445	$ 0	$ 0	$ 0	$ 0	N/A %	0.0 %	0.0 %	0.0 %	0.0 %

*First year of financial activity.

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

SEPTEMBER 30, 2023

Complete District Mailing Address: Montgomery County Municipal Utility District No. 174
c/o Allen Boone Humphries Robinson LLP
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

District Business Telephone No.: 713-860-6400

Submission date of the most recent District Registration Form: January 17, 2023

Limit on Fees of Office that a Director may receive during a fiscal year: $7,200

BOARD MEMBERS

Name and Address	Term of Office (Elected/ Appointed)	Fees of Office Paid	Expense Reimb.	Title at Year End
Andy Mersmann c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 11/03/20- 5/04/24	$ 1,113	$ 191	President
Kylie Rapp c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Appointed 8/19/21- 5/04/24	1,413	122	Vice President
Lynnette Tujague c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 11/03/20- 5/04/24	1,634	160	Secretary
Jacob Burgus c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Elected 5/07/22- 5/02/26	1,042	41	Assistant Secretary
Cara Sliva c/o Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	Appointed 9/15/22- 5/02/26	1,563	167	Assistant Vice President

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 174

BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)

SEPTEMBER 30, 2023

CONSULTANTS

Name and Address	Date Hired	Fees and Expense Reimbursements	Title at Year End
Allen Boone Humphries Robinson LLP 3200 Southwest Freeway, Suite 2600 Houston, Texas 77027	8/05/20	$ 128,021 179,882 Bonds	Attorney
Perdue, Brandon, Fielder, Collins & Mott, L.L.P. 1235 North Loop West, Suite 600 Houston, Texas 77008	12/7/20	517	Delinquent Tax Attorney
ETI Bookkeeping Services P.O. Box 73109 Houston, Texas 77273	10/20/22	17,347 1,000 Bonds	Bookkeeper
Municipal Accounts & Consulting, L.P. 1281 Brittmoore Houston, Texas 77043	8/05/20	4,622	Bookkeeper
Utility Tax Service, LLC 11500 Northwest Freeway, Suite 150 Houston, Texas 77092	8/05/20	11,857 1,500 Bonds	Tax Assessor-Collector
Montgomery Central Appraisal District P.O. Box 2233 Conroe, Texas 77305	Legislative Action	1,276	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	8/05/20	136,844 Bonds	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	9/15/22	6,000 4,950 Bonds	Independent Auditor

Appendix B

Specimen Municipal Bond Insurance Policy

ASSURED GUARANTY

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AG shall have received Notice of Nonpayment, AG will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AG, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AG. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AG is incomplete, it shall be deemed not to have been received by AG for purposes of the preceding sentence and AG shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AG shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AG hereunder. Payment by AG to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AG under this Policy.

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

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

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

This Policy sets forth in full the undertaking of AG, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY INC.

By ____________________________________
Authorized Officer