

OFFICIAL STATEMENT DATED NOVEMBER 17, 2025

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS (I) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND (II) IS NOT AN ITEM OF TAX PREFERENCE FOR PURPOSES OF THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS. SEE “TAX MATTERS” HEREIN, INCLUDING INFORMATION REGARDING POTENTIAL ALTERNATIVE MINIMUM TAX CONSEQUENCES FOR CORPORATIONS.

THE BONDS HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS” FOR FINANCIAL INSTITUTIONS.

NEW ISSUE - Book-Entry-Only

Insured Rating (AG): S&P “AA” (stable outlook)
See “MUNICIPAL BOND RATING” and
“MUNICIPAL BOND INSURANCE” herein.

\$3,000,000

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2 (A political subdivision of the State of Texas located within Hays County, Texas) UNLIMITED TAX BONDS, SERIES 2025

Dated: December 1, 2025

Due: September 1, as shown below

Interest Accrual Date: Date of Delivery

Principal of the bonds described above (the “Bonds”) will be payable at stated maturity or redemption upon presentation of the Bonds at the principal payment office of the paying agent/registrar, initially UMB Bank, N.A., Austin, Texas (the “Paying Agent/Registrar,” “Paying Agent” or “Registrar”). Interest on the Bonds will accrue from the date of initial delivery (expected to be on or about December 18, 2025) (the “Date of Delivery”) and be payable on March 1, 2026 and on each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof. The Bonds are subject to redemption prior to maturity as shown below.

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



The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY INC. (“AG” or the “Insurer”).

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND INITIAL REOFFERING YIELDS

Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)	Due (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Number (b)
2027	\$ 65,000	6.500%	3.200%	659608 DA8	2041	\$ 135,000 (c)	4.250%	4.450%	659608 DQ3
2028	70,000	6.500	3.200	659608 DB6	2042	140,000 (c)	4.375	4.550	659608 DR1
2029	70,000	6.500	3.200	659608 DC4	2043	150,000 (c)	4.500	4.600	659608 DS9
2030	75,000	6.500	3.300	659608 DD2	2044	155,000 (c)	4.500	4.650	659608 DT7
2031	80,000	6.500	3.400	659608 DE0	2045	165,000 (c)	4.500	4.700	659608 DU4
***	***	***	***	***	2046	170,000 (c)	4.625	4.710	659608 DV2
2036	105,000 (c)	4.000	4.000	659608 DK6	2047	180,000 (c)	4.625	4.720	659608 DW0
2037	110,000 (c)	4.000	4.050	659608 DL4	2048	190,000 (c)	4.625	4.730	659608 DX8
2038	115,000 (c)	4.000	4.100	659608 DM2	2049	200,000 (c)	4.625	4.740	659608 DY6
2039	120,000 (c)	4.125	4.200	659608 DN0	2050	210,000 (c)	4.625	4.750	659608 DZ3
2040	125,000 (c)	4.250	4.350	659608 DP5					

\$175,000 Term Bonds due September 1, 2033 (c), 659608 DG5 (b), 6.500% Interest Rate, 3.500% Yield (a)

\$195,000 Term Bonds due September 1, 2035 (c), 659608 DJ9 (b), 4.000% Interest Rate, 3.800% Yield (a)

- (a) Initial reoffering yield represents the initial offering yield to the public which has been established by the Underwriter (as defined herein) for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter. The initial reoffering yields indicated above represent the lower of the yields resulting when priced at maturity or to the first call date.
- (b) CUSIP Numbers have been assigned to the Bonds by CUSIP Global Services and are included solely for the convenience of the purchasers of the Bonds. Neither the District nor the Underwriter shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein.
- (c) Bonds maturing on or after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or in part from time to time, on September 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. The Term Bonds (as defined herein) are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”

The Bonds, when issued, will constitute valid and legally binding obligations of North Hays County Municipal Utility District No. 2 (the “District”) and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. See “THE BONDS—Source of Security for Payment.” The Bonds are obligations solely of the District and are not obligations of the State of Texas, Hays County, Texas, the City of Kyle or any entity other than the District. The Bonds are subject to special risk factors 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 Underwriter, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by Allen Boone Humphries Robinson LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed on for the District by Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Disclosure Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about December 18, 2025.

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USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, resolutions, orders, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from Allen Boone Humphries Robinson LLP, 919 Congress Avenue, Suite 1500, Austin, Texas 78701, upon payment of duplication costs.

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, Rule 15c2-12, as amended.

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

Assured Guaranty Inc. ("AG" or the "Insurer") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, the Insurer 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 the Insurer supplied by the Insurer and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX B—Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

<i>The Issuer</i>	North Hays County Municipal Utility District No. 2 (the “District”), a political subdivision of the State of Texas, is located in Hays County, Texas. See “THE DISTRICT.”
<i>The Issue</i>	\$3,000,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”) are issued pursuant to a resolution (the “Bond Resolution”) of the District’s Board of Directors. The Bonds will be issued as fully registered bonds maturing serially on September 1 in each of the years 2027 through 2031, both inclusive, and 2036 through 2050, both inclusive, and as term bonds maturing on September 1 in each of the years 2033 and 2035 (the “Term Bonds”) in the amounts shown on the cover hereof. Interest on the Bonds accrues from the Date of Delivery (expected to be on or about December 18, 2025) and is payable on March 1, 2026, and on each September 1 and March 1 thereafter until the earlier of stated maturity or prior redemption. See “THE BONDS.”
<i>Redemption</i>	Bonds maturing on or after September 1, 2032, are subject to redemption, in whole or in part, from time to time, at the option of the District, prior to their maturity dates, on September 1, 2031, or on any date thereafter. Upon redemption, the Bonds will be payable at a price of par plus accrued interest to the date fixed for redemption. The Term Bonds are subject to mandatory sinking fund redemption as more fully described herein. See “THE BONDS—Redemption Provisions.”
<i>Source of and Security for Payment</i>	The Bonds are payable from a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District (see “TAX PROCEDURES”). The Bonds are obligations of the District and are not obligations of the State of Texas; Hays County, Texas; the City of Kyle (the “City”) or any other political subdivision or agency other than the District. See “THE BONDS—Source of and Security for Payment.” The District is authorized to levy separate taxes, unlimited as to rate or amount, to pay debt service on bonds issued for the purpose of acquiring or constructing the System (as defined herein) and to pay debt service on bonds issued for the purpose of constructing or acquiring the Road System (as defined herein).
<i>Payment Record</i>	The District has previously issued one series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and two series of unlimited tax bonds for the purpose of acquiring or constructing road facilities, of which \$12,010,000 principal amount was outstanding as of October 1, 2025 (the “Outstanding Bonds”). See “FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds.” The District has never defaulted in the payment of principal and interest on its previously issued bonds.
<i>Use of Proceeds</i>	Proceeds from sale of the Bonds will be used, in part, to reimburse the Developer (hereinafter defined) for the construction costs, land acquisition costs and advances for operating expenses shown herein under “USE AND DISTRIBUTION OF BOND PROCEEDS.” Bond proceeds will also be used to capitalize twelve (12) months of interest on the Bonds, to pay operating advances, and to pay certain costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”
<i>Qualified Tax-Exempt Obligations</i>	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Qualified Tax-Exempt Obligations.”

Municipal Bond Rating

and Municipal Bond Insurance...

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") is expected to assign a municipal bond insured rating of "AA" (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. ("AG" or the "Insurer"). The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. An explanation of the rating may be obtained from S&P. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance," "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

Authority for Issuance.....

The Bonds are the second series of bonds issued out of an aggregate \$383,500,000 principal amount of unlimited tax bonds authorized by voters of the District at a bond election held within the District on May 5, 2018, for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities and refunding such bonds. The Bonds are issued by the District pursuant to an order of the TCEQ; the terms and conditions of the Bond Resolution; Senate Bill 2245, an Act of the 85th Legislature of the State of Texas, Regular Session (2017), codified as Chapter 7988 of the Texas Special District Local Laws Code (the "Act"); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; and an election held within the District as described above. See "THE BONDS—Authority for Issuance," "—Issuance of Additional Debt" and "RISK FACTORS—Future Debt."

Book-Entry-Only System.....

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

Bond Counsel.....

Allen Boone Humphries Robinson LLP, Austin, Texas.

Financial Advisor.....

Masterson Advisors LLC, Austin, Texas.

Disclosure Counsel.....

Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

Paying Agent/Registrar.....

UMB Bank, N.A., Austin, Texas.

THE DISTRICT

Description and Location.....

The District was created by the Act. The District presently contains approximately 694 acres of land. The District is comprised of multiple separate tracts of land located entirely within Hays County and within the corporate limits of the City, which City is located approximately 22 miles south of the central business district of the City of Austin, Texas. See "THE DISTRICT" and "AERIAL LOCATION MAP."

Status of Development.....

Development in the District, known as Plum Creek, consists of a variety of land uses across approximately 350 acres, including approximately 150,000 square feet of neighborhood scale retail and services, and seven business parks. Kyle Crossing Industrial Park by Majestic consists of two buildings combined of approximately 535,000 square feet with tenants such as Amazon, FedEx and Lowe's. Plum Creek Logistics Center by Northpoint consists of three buildings of approximately 990,000 square feet total, with tenants such as Plastikon, Viking Supply, and American HVAC/Metals. ENF Technologies, a Samsung supplier, has a factory in the District of approximately 120,000 square feet with a planned expansion of approximately 120,000 square feet underway. Live Oak's business park consists of approximately 95,000 square feet of light industrial space. Fat Quarter Shop has recently completed an approximately 250,000 square foot assembly plant and Sovereign Flavors recently completed construction on a 35,000 square foot factory for developing beverage flavors. Nitro Swimming opened in 2025

consisting of several indoor competition swimming pools. Currently under construction adjacent to Nitro Swimming are several new flex office/industrial buildings of approximately 25,000 square feet each slated to open in 2026. Sprouts Farmers Market sized at approximately 24,000 square feet plus associated retail was recently completed in October 2025. Nearly 1,000,000 square feet of factory is planned by DSBJ Solutions, a Tesla supplier. The first 300 units of The Brick and Mortar District Apartments are completed with another 300 units under construction and slated to open in the Spring of 2026.

In addition to the development described above, the District contains approximately 250 acres of developable land which are not provided with underground water, sanitary sewer, and drainage facilities or roads. There are approximately 94 acres of undevelopable or exempt land in the District that includes detention ponds, drainage channels, pipelines, and roads, and land dedicated to the City for municipal offices and park facilities. See “THE DISTRICT—Status of Development.”

*The Developer and
the Landowner*Mountain Plum, Ltd., a Texas limited partnership (the “Landowner”) initially owned the majority of the approximately 694 acres within the District. Plum Creek Development Partners, Ltd., a Texas limited partnership (the “Developer”) is the developer of the District that performs the necessary and required land development work.

Development of Plum Creek is managed by MG Realty Advisors, LLC, d/b/a Momark Development (“Momark”), through a Development Management Agreement with the Landowner and Developer. Momark is a planned community developer in the greater Austin, Texas area and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects for more than twenty-two years. See “THE DEVELOPER AND THE LANDOWNER.”

RISK FACTORS

THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY PARTICULARLY THE SECTION CAPTIONED “RISK FACTORS.”

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$499,886,765	(a)
Estimated Taxable Assessed Valuation as of October 1, 2025	\$513,615,970	(b)
Gross Debt Outstanding (after the issuance of the Bonds).....	\$15,010,000	(c)
Estimated Overlapping Debt	47,484,150	(d)
Gross Direct Debt and Estimated Overlapping Debt	\$62,494,150	
Ratios of Gross Debt to:		
2025 Certified Taxable Assessed Valuation	3.00%	
Estimated Taxable Assessed Valuation as of October 1, 2025	2.92%	
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:		
2025 Certified Taxable Assessed Valuation	12.50%	
Estimated Taxable Assessed Valuation as of October 1, 2025	12.17%	
Funds Available for Debt Service as of October 13, 2025:		
Road Debt Service Fund	\$244,456	(e)
Water, Sewer and Drainage Debt Service Fund.....	183,563	(e)
Capitalized Interest from Bond Proceeds (Twelve (12) Months)	142,988	(f)
Total Debt Service Funds Available.....	\$571,007	
Operating Funds Available as of October 13, 2025	\$1,306,715	
Road Capital Projects Funds Available as of October 13, 2025	\$ 330,577	
Water, Sewer and Drainage Capital Projects Funds Available as of October 13, 2025	\$ 36,393	
2025 Tax Rate:		
Debt Service.....	\$0.17	(g)
Maintenance and Operations.....	0.03	
Total	\$0.20/\$100 A.V.	(h)
Maximum Annual Debt Service Requirements (2048) of the Bonds and the		
Outstanding Bonds ("Maximum Annual Requirement").....	\$1,114,065	(i)
Average Annual Debt Service Requirements (2026-2050) of the Bonds and the		
Outstanding Bonds ("Average Annual Requirement").....	\$1,008,612	(i)
Tax rates required to pay Maximum Annual Requirement based upon:		
2025 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.24/\$100 A.V.	(j)
Estimated Taxable Assessed Valuation as of October 1, 2025 at a 95% collection rate.....	\$0.23/\$100 A.V.	(j)
Tax rates required to pay Average Annual Requirement based upon:		
2025 Certified Taxable Assessed Valuation at a 95% collection rate.....	\$0.22/\$100 A.V.	(j)
Estimated Taxable Assessed Valuation as of October 1, 2025 at a 95% collection rate.....	\$0.21/\$100 A.V.	(j)

Area of the District – 694 acres

- (a) As certified by the Hays Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amount reflects an estimate of the taxable appraised value within the District on October 1, 2025. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Increases in value occurring between January 1, 2025, and January 1, 2026, will be certified and provided by the Appraisal District for purposes of setting the District's ad valorem tax rate in the fall of 2026. See "TAX PROCEDURES."
- (c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."
- (d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
- (e) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Water, Sewer and Drainage Debt Service Fund or the Road Debt Service Fund. Funds in the Water, Sewer and Drainage Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for acquiring or constructing water, wastewater, and drainage facilities, including the Bonds, and are not available to pay debt service on bonds issued by the District for acquiring or constructing roads. Funds in the Road Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for acquiring or constructing roads and are not available to pay debt service on bonds issued by the District for acquiring or constructing water, wastewater, and drainage facilities, including the Bonds.
- (f) The District will capitalize twelve (12) months of interest from the Bond proceeds and deposit such funds in the Water, Sewer and Drainage Debt Service Fund. See "USE AND DISTRIBUTION OF BOND PROCEEDS."
- (g) The District levied a total debt service tax rate in 2025 of \$0.17, of which \$0.04225 is allocated to pay debt service on bonds issued for the System and \$0.12775 is allocated to pay debt service on bonds issued for the Road System. See "TAX DATA—Tax Rate Distribution."
- (h) See "TAX DATA—Tax Rate Distribution."
- (i) See "DEBT SERVICE REQUIREMENTS."
- (j) See "TAX DATA—Tax Adequacy for Debt Service."

OFFICIAL STATEMENT

\$3,000,000

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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

UNLIMITED TAX BONDS SERIES 2025

This Official Statement provides certain information in connection with the issuance by North Hays County Municipal Utility District No. 2 (the “District”) of its \$3,000,000 Unlimited Tax Bonds, Series 2025 (the “Bonds”).

The Bonds are issued pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”); Senate Bill 2245, an Act of the 85th Legislature of the State of Texas, Regular Session (2017), codified as Chapter 7988 of the Texas Special District Local Laws Code (the “Act”); Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; a resolution adopted by the Board of Directors of the District (the “Board”) authorizing the issuance of the Bonds (the “Bond Resolution”); and an election held within the District on May 5, 2018.

This Official Statement includes descriptions, among others, of the Bonds and the Bond Resolution, and certain other information about the District and Plum Creek Development Partners, Ltd. (the “Developer”), the developer of land within the District. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each document. Copies of such documents may be obtained from the District c/o Allen Boone Humphries Robinson LLP, located at 919 Congress Avenue, Suite 1500, Austin, Texas 78701 or from the District’s Financial Advisor, Masterson Advisors LLC, 2005 Melridge Place, Austin, Texas 78704, upon payment of reasonable copying, mailing and handling charges.

THE BONDS

General

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

The Bonds will be dated December 1, 2025, with interest accruing from the Date of Delivery (expected to be on or about December 18, 2025), and payable on each March 1 and September 1 (each an “Interest Payment Date”) commencing March 1, 2026, until the earlier of stated maturity or prior redemption. The Bonds mature on September 1 in the amounts and years and accrue interest at the rates shown on the cover page of this Official Statement. Interest calculations are based on a 360-day year comprised of twelve 30-day months. The Bonds will be issued only in fully registered form in \$5,000 denominations or integral multiples thereof.

Authority for Issuance

The Bonds are issued pursuant to an order of the TCEQ; the Act; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas; the Bond Resolution; and an election held within the District on May 5, 2018.

The Bonds are the second series of bonds issued out of an aggregate \$383,500,000 principal amount of unlimited tax bonds authorized by voters of the District for the purpose of acquiring or constructing water, wastewater and drainage facilities to serve the District (the “System”) and refunding. In addition, voters of the District have authorized the issuance of an aggregate \$123,500,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the “Road System”) and refunding.

The Attorney General of Texas must approve the legality of the Bonds prior to their delivery. The Attorney General of Texas does not guarantee or pass upon the safety of the Bonds as an investment or upon the adequacy of the information contained in this Official Statement.

Source of and Security for Payment

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

Net tax proceeds will be placed in the Water, Sewer and Drainage Debt Service Fund and used solely to pay principal of and interest on the Bonds, the Outstanding Water, Sewer and Drainage Bonds (as defined herein) and additional bonds payable from taxes that may be issued for the System, and paying agent/registrar fees.

The District is authorized to levy separate taxes, unlimited as to rate or amount, to pay debt service on bonds issued for the System facilities and to pay debt service on bonds issued for the Road System.

The Bonds are obligations of the District and are not the obligations of the State of Texas; Hays County; the City of Kyle (the "City") or any entity other than the District.

Method of Payment of Principal and Interest

In the Bond Resolution, the Board has appointed UMB Bank, N.A., Austin, Texas as the initial Paying Agent/Registrar for the Bonds. The principal and interest of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Austin, Texas and interest on each Bond shall be payable by check or draft payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the Registered Owner of record as of the close of business on the February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the "Record Date"), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the "Register") or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners.

If the date for payment of the principal of or interest on any Bond is a Saturday, Sunday, or day on which the Paying Agent/Registrar is authorized by law or executive order to remain closed, then the date for such payment shall be the next succeeding day on which the Paying Agent/Registrar is open for business.

Funds

In the Bond Resolution, the Water, Sewer and Drainage Debt Service Fund is confirmed, and the proceeds from all taxes levied, assessed and collected for and on account of the Bonds, the Outstanding Water, Sewer and Drainage Bonds and any additional unlimited tax bonds issued by the District for the System shall be deposited, as collected, in such fund. Twelve (12) months of capitalized interest on the Bonds from the proceeds and sale of the Bonds shall be deposited into the Water, Sewer and Drainage Debt Service Fund upon closing of the Bonds. Amounts on deposit in the Water, Sewer and Drainage Debt Service Fund are to be used for payment of debt service on the Bonds and any of the District's bonds duly issued for the System that are payable in whole or in part from taxes. Amounts on deposit in the Water, Sewer, and Drainage Debt Service Fund may also be used 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 and interest on the Bonds, the Outstanding Water, Sewer and Drainage Bonds and any additional bonds duly issued for the System that are payable in whole or in part from taxes. The remaining proceeds from sale of the Bonds, including interest earnings thereon, shall be deposited into the Water, Sewer and Drainage Capital Projects Fund and used to fund certain constructions costs, land acquisition costs and pay the costs of issuing the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" for a more complete description of the use of Bond proceeds.

The District also maintains a Road Debt Service Fund that is not pledged to pay debt service on bonds duly issued for the System, including the Bonds. Funds in the Water, Sewer and Drainage Debt Service Fund are not available to pay principal and interest on the bonds issued for the Road System and funds in the Road Debt Service Fund are not available to pay principal and interest on the bonds issued for the System, including the Bonds.

No Arbitrage

The District will certify as of the date the Bonds are delivered and paid for that, based upon all facts and estimates then 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, as amended (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 in the Bond Resolution 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.

Redemption Provisions

Mandatory Redemption: The Bonds maturing on September 1 in each of the years 2033 and 2035 (the “Term Bonds”) shall be redeemed, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the “Mandatory Redemption Date”), on September 1 in each of the years and in the principal amounts set forth in the following schedule (with each such scheduled principal amount reduced by the principal amount as may have been previously redeemed through the exercise of the District’s reserved right of optional redemption, as provided under “Optional Redemption” below):

\$175,000 Term Bonds		\$195,000 Term Bonds	
Due September 1, 2033		Due September 1, 2035	
Mandatory	Principal	Mandatory	Principal
Redemption Date	Amount	Redemption Date	Amount
2032	\$ 85,000	2034	\$ 95,000
2033 (maturity)	90,000	2035 (maturity)	100,000

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

Optional Redemption: The District reserves the right, at its option, to redeem Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or in part from time to time, in integral multiples of \$5,000, on September 1, 2031, or on any date thereafter, at a price of par plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If fewer than all of the Bonds are redeemed at any time, the particular maturities and amounts of Bonds to be redeemed shall be selected by the District. If less than all the Bonds of any maturity are redeemed at any time, the particular Bonds within a maturity to be redeemed shall be selected by the Paying Agent/Registrar by lot or other customary method of selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

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

Registration and Transfer

UMB Bank, N.A., in Austin, Texas, is the initial, paying agent/registrar (the “Paying Agent/Registrar” or “Paying Agent” or “Registrar”) for the Bonds. So long as any Bond remain outstanding, the Paying Agent/Registrar shall keep the register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Resolution. While the Bonds are in the Book-Entry-Only System, the Bonds will be registered in the name of Cede & Co. and will not be transferred. See “BOOK-ENTRY-ONLY SYSTEM.”

Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, upon the presentation and surrender to the Paying Agent/Registrar of a mutilated Bond, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a replacement Bond of like maturity, interest rate and principal amount, bearing a number not contemporaneously outstanding. If any Bond is lost, apparently destroyed, or wrongfully taken, the District, pursuant to the applicable laws of the State of Texas and in the absence of notice or knowledge that such Bond has been acquired by a bona fide purchaser, shall, upon receipt of certain documentation from the Registered Owner and an indemnity bond, execute and the Paying Agent/Registrar shall authenticate and deliver a replacement Bond of like maturity, interest rate and principal amount bearing a number not contemporaneously outstanding. Registered owners of lost, stolen or destroyed bonds will be required to pay the District’s costs to replace such bond. In addition, the District or the Paying Agent/Registrar may require the Registered Owner to pay a sum sufficient to cover any tax or other governmental charge that may be imposed.

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

The District may issue additional bonds that are necessary to finance improvements and facilities consistent with the purpose for which the District was created. After issuance of the Bonds, the District will have \$377,500,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of constructing or acquiring the System and refunding of such bonds. The District also has \$114,325,000 remaining of unlimited tax bonds authorized but unissued for constructing or acquiring the Road System and refunding of such bonds. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District, and in the case of the bonds for the System, subject to approval by the TCEQ and Attorney General of Texas. The District’s issuance of bonds for acquiring or constructing the Road System is not subject to TCEQ approval. See “RISK FACTORS—Future Debt.”

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purpose. Before the District could issue fire-fighting bonds payable from taxes, the following actions would be required: (a) amendments to the existing City ordinances specifying the purposes for which the District may issue bonds; (b) authorization of a detailed fire plan and bonds for such purpose by the qualified voters in the District; (c) approval of the fire plan by the TCEQ; and (d) approval of bonds by the Attorney General of Texas. It is not anticipated at this time that bonds will be issued by the District for fire-fighting purposes.

Abolishment by the City of Kyle

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District may be abolished by the City without the District’s consent. Provided, however, the City has agreed in the Consent Agreement (as hereafter defined) that the District will not be dissolved until the earlier of (i) August 18, 2037, which is 20 years from the date of the Consent Agreement or (ii) ninety percent (90%) of the land within the District has access to retail water and wastewater from the City. See “THE DISTRICT – Consent Agreement.” If the District is abolished, the City will assume the District’s assets and obligations (including the Bonds) and abolish the District within ninety (90) days. Abolishment of the District by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, and therefore, the District makes no representation that abolishment will or will not occur or as to the ability of the City to make debt service payments on the Bonds should abolishment occur.

Consolidation

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

Remedies in Event of Default

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolution, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolution, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolution. Except for mandamus, the Bond Resolution does not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners. Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolution may not be reduced to a judgment for money damages. Even if such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District. Certain traditional legal remedies also may not be available. See "RISK FACTORS—Registered Owners' Remedies and Bankruptcy Limitations."

Legal Investment and Eligibility to Secure Public Funds in Texas

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 unmatured 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 might apply to or which might be utilized by any of such persons or entities to limit the acceptability or suitability of the Bonds for any of the foregoing purposes. Prospective purchasers are urged to carefully evaluate the investment quality of the Bonds as to the suitability or acceptability of the Bonds for investment or collateral purposes.

Defeasance

The Bond Resolution provides that the District may discharge its obligations to the Registered Owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to the principal of, premium, if any, and all interest to accrue on the Bonds to maturity or redemption or (ii) by depositing with any place of payment (paying agent) of the Bonds or other obligations of the District payable from revenues or from ad valorem taxes or both, amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and

reinvested only in (a) direct obligations of the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

General

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

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

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

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

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

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

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

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

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

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

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

THE DISTRICT

General

The District is a municipal utility district created by the Act, and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes applicable to municipal utility districts. The District is located wholly within the corporate limits of the City and within the boundaries of Hays Consolidated Independent School District.

The District is empowered, among other things, to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and the construction of roads and related facilities. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. See “THE BONDS—Issuance of Additional Debt.”

The Commission exercises continuing supervisory jurisdiction over the District. The District is required to observe certain requirements of the City which limit the purposes for which the District may sell bonds; limit the net effective interest rate on such bonds and other terms of such bonds; require approval by the City of District construction plans; and permit connections only to platted lots and reserves which have been approved by the City. Construction and operation of the District’s system are subject to the regulatory jurisdiction of additional government agencies. See “THE SYSTEM.”

Location

The District contains approximately 694 acres of land. The District is comprised of multiple separate tracts of land located entirely within Hays County and within the corporate limits of the City, which City is located approximately 22 miles south of the central business district of the City of Austin, Texas.

Status of Development

Development in the District, known as Plum Creek, consists of a variety of land uses across approximately 350 acres, including approximately 150,000 square feet of neighborhood scale retail and services, and seven business parks. Kyle Crossing Industrial Park by Majestic consists of two buildings combined of approximately 535,000 square feet with tenants such as Amazon, FedEx and Lowe’s. Plum Creek Logistics Center by Northpoint consists of three buildings of approximately 990,000 square feet total, with tenants such as Plastikon, Viking Supply, and American HVAC/Metals. ENF Technologies, a Samsung supplier, has a factory in the District of approximately 120,000 square feet with a planned expansion of approximately 120,000 square feet underway. Live Oak’s business park consists of approximately 95,000 square feet of light industrial space. Fat Quarter Shop has recently completed an approximately 250,000 square foot assembly plant and Sovereign Flavors recently completed construction on a 35,000 square foot factory for developing beverage flavors. Nitro Swimming opened in 2025 consisting of several indoor competition swimming pools. Currently under construction adjacent to Nitro Swimming are several new flex office/industrial buildings of approximately 25,000 square feet each slated to open in 2026. Sprouts Farmers Market sized at approximately 24,000 square feet plus associated retail was recently completed in October 2025. Nearly 1,000,000 square feet of factory is planned by DSBJ Solutions, a Tesla supplier. The first 300 units of The Brick and Mortar District Apartments are completed with another 300 units under construction and slated to open in the Spring of 2026.

In addition to the development described above, the District contains approximately 250 acres of developable land which are not provided with underground water, sanitary sewer, and drainage facilities or roads. There are approximately 94 acres of undevelopable or exempt land in the District that includes detention ponds, drainage channels, pipelines, and roads, and land dedicated to the City for municipal offices and park facilities.

Consent Agreement

The District is party to that certain Consent Agreement, as amended (the “Consent Agreement”), entered into by and between the City; Plum Creek Development Partners Ltd, and Mountain Plum Ltd; and the District. The Consent Agreement provides, among other terms, the City’s consent to creation of the District, the provision of water and wastewater service to the land within the District, and the City’s agreement not to dissolve the District until the earlier of (i) August 18, 2037, which is 20 years from the date of the Consent Agreement, or (ii) ninety percent (90%) of the land within the District has access to retail water and wastewater service from the City. The City will thereafter have the right, but not the obligation to dissolve the District. The Consent Agreement also provides (i) the purposes for which the District is authorized to issue bonds, such purposes include those for the construction or acquisition of water, sewer, and drainage facilities, and roads and improvements in aid thereof, and (ii) the terms for the City’s approval of bonds to be issued by the District, including the requirement to obtain City Council approval of the issuance of a series of bonds if such bonds, at the time of issuance of such bonds, are anticipated to require the District to levy a debt service tax rate that results in the District’s total ad valorem tax rate exceeding twenty (20) cents per \$100 valuation.

The Consent Agreement further provides that the Developer or the District will construct, at no cost to the City, all water, wastewater, and drainage facilities and roads required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of water and wastewater facilities and roads constructed by or on behalf of the District, and following the City's acceptance of such facilities, the facilities will be conveyed to the City for ownership, operation and maintenance. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City agrees to operate and maintain all water and wastewater facilities conveyed to the City and to provide retail water and wastewater services to customers within the District at the City's standard water and wastewater rates. The City is responsible for billing and collecting for water and wastewater services provided to customers within the District. All revenues from the water and wastewater customers in the District belongs exclusively to the City. The Consent Agreement will continue in effect until terminated by the City, which date shall not be sooner than the date that the developers have received the total amount of reimbursements permitted to be made to them by the Texas Water Code and Consent Agreement.

MANAGEMENT

Board of Directors

The District is governed by the Board, consisting of five directors, which has control over and management supervision of all affairs of the District. None of the directors listed below reside within the District; however, each director owns land within the District. Directors are elected by the voters within the District for four-year staggered terms. Directors elections are currently held in May only in even numbered years. The directors and officers of the District are listed below:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Hillary E. Sotello	President	May 2026
Colter Sonnevile	Vice President	May 2026
Kevin Oliver	Secretary	May 2028
Erica Allison	Assistant Secretary	May 2028
Austen Marwitz	Assistant Vice President/Assistant Secretary	May 2026

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

Tax Assessor/Collector

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

Bookkeeper

The District has engaged Bott & Douthitt PLLC to serve as the District's bookkeeper.

Engineer

The consulting engineer for the District is Jones-Heroy & Associates, Inc. (the "Engineer").

Attorney

The District engages Allen Boone Humphries Robinson LLP, Austin, Texas as general counsel and as bond counsel in connection with the issuance of the Bonds. The legal fees to be paid bond counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel

The District engages Orrick, Herrington & Sutcliffe LLP, Austin, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. Fees for services rendered by Disclosure Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor

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

Auditor

The District’s financial statements for the year ended July 31, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC (the “Auditor”). See APPENDIX A for a copy of the District’s July 31, 2024 audited financial statements. The District has engaged the Auditor to audit its financial statements for fiscal year ended July 31, 2025.

THE DEVELOPER AND THE LANDOWNER

Role of a Developer

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

The Developer and the Landowner

Mountain Plum, Ltd., a Texas limited partnership (the “Landowner”) initially owned the majority of the approximately 694 acres within the District. Plum Creek Development Partners, Ltd., a Texas limited partnership (the “Developer”) is the developer of the District that performs the necessary and required land development work.

The Developer has financed the development of Plum Creek with private equity and with a development loan provided by PlainsCapital Bank. The development loan has been paid in full.

Development of Plum Creek is managed by MG Realty Advisors, LLC, d/b/a Momark Development (“Momark”), through a Development Management Agreement with the Landowner and Developer. Momark is a planned community developer in the greater Austin, Texas area and has provided planning, development, and management services to project owners for multi-purpose residential and commercial projects for more than twenty-two years.

Neither the Developer, the Landowner, nor Momark are responsible for, liable for, and have not made any commitment for payment of the Bonds or other obligations of the District. Neither the Developer, the Landowner, nor Momark have any legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time.

THE SYSTEM

Regulation

According to the Engineer, the District's water distribution, wastewater collection, and drainage facilities (the "System") has been designed in accordance with accepted engineering practices and the requirements of all governmental authorities having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including the TCEQ, the City, and/or Hays County. The construction of the System is required to be accomplished in accordance with the standards and specifications of such authorities and is subject to inspection by each applicable authority. The City operates and maintains the water and sewer system within the District. The regulations and requirements of entities exercising regulatory jurisdiction over the System are subject to further development and revision which, in turn, could require additional expenditures by the District in order to achieve compliance. In particular, additional or revised requirements in connection with any permit for the City's wastewater treatment plant, in which the District has capacity rights, beyond the criteria existing at the time of construction of the plant could result in the need to construct additional facilities in the future. The following descriptions are based upon information supplied by the District's Engineer.

Water, Sanitary Sewer and Drainage Facilities

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

Water Supply and Distribution: The District is supplied with water by the City. The City contracts with Guadalupe Brazos River Authority, Edwards Aquifer Authority, Barton Springs Edwards Aquifer Conservation District, City of San Marcos, and the Alliance Regional Water Authority to meet the City's water supply needs with access for up to 9.3 million gallons per day ("MGD"). The City also has a 2.2 million gallon elevated storage tank and 2.6 million gallon ground storage tank. The District has constructed a water transmission line from the City's water system to the District. A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer for the construction costs of the water transmission line. The District's internal water infrastructure is reviewed for approval by the City prior to construction. Upon completion, the City inspects the construction and if deemed satisfactory, title to the infrastructure is conveyed to the City and the City maintains and operates the District's water facilities.

Wastewater Collection and Treatment: The District receives wastewater treatment from the City. The City operates the Kyle Wastewater Treatment Plant, which plant is currently operating at 4.5 MGD. The District has constructed a wastewater interceptor to connect the District to the City's wastewater system. A portion of the proceeds from the sale of the Bonds will be used to reimburse the Developer for the construction costs of the wastewater interceptor. The District's internal wastewater infrastructure is reviewed for approval by the City prior to construction. Upon completion, the City inspects the construction and if deemed satisfactory, title to the infrastructure is conveyed to the City and the City maintains and operates the District's wastewater facilities.

Storm Water Drainage: Storm water from the District is collected by a system of underground storm sewers that drain into detention/water quality ponds. Drainage facilities constructed by the District have, to date, been accepted by the City for ownership, operation and maintenance.

100-Year Flood Plain: According to the Engineer, approximately 70 acres of land in the District are located within the 100-year floodplain, as per approved Federal Insurance Rate Map. Substantially all of the land within the 100 year floodplain is located within the drainage ditches and other drainage facilities.

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

THE ROAD SYSTEM

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

USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for certain construction, land acquisition costs and advances for operating expenses set out below, to pay twelve (12) months of capitalized interest on the Bonds, and to pay costs of issuance associated with the Bonds.

Non-construction costs and issuance costs and fees are based upon either contract amounts or estimates of various costs by the Engineer and Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of an agreed-upon procedures by the District's Auditor.

CONSTRUCTION COSTS

• Water Transmission Line and Wastewater Interceptor.....	\$ 255,548
• Land Costs - Regional Detention.....	2,008,126
Total Construction Costs.....	\$ 2,263,674

NON-CONSTRUCTION COSTS

• Bond Discount (a).....	\$ 90,000
• Capitalized Interest (Twelve (12) Months) (a).....	142,988
• Developer Interest (Estimated).....	134,449
• Operating Expenses.....	112,000
Total Non-Construction Costs.....	\$ 479,437

ISSUANCE COSTS AND FEES

• Issuance Costs and Professional Fees.....	\$ 191,877
• Bond Application Report Costs.....	40,000
• State Regulatory Fees.....	10,500
• Contingency (a).....	14,513
Total Issuance Costs and Fees.....	\$ 256,890

TOTAL BOND ISSUE..... \$ 3,000,000

(a) The Commission approved a maximum of twelve (12) months of capitalized interest and a maximum Bond Discount of 3.0% of the Bonds. Contingency represents the difference in the estimated and actual amount of capitalized interest.

In the event approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses in accordance with the rules of the Commission. In the event actual costs exceed previously approved estimated amounts and contingencies, additional Commission approval and the issuance of additional bonds may be required.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Date of Authorization	Purpose	Amount Authorized	Issued to Date	Amount Unissued
5/5/2018	Water, Sanitary Sewer and Drainage Bonds and Refunding	\$383,500,000	\$6,000,000 *	\$377,500,000
5/5/2018	Road Bonds and Refunding	\$123,500,000	\$9,175,000	\$114,325,000

* Includes the Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2025 Certified Taxable Assessed Valuation	\$499,886,765 (a)
Estimated Taxable Assessed Valuation as of October 1, 2025	\$513,615,970 (b)

Direct Debt:

Outstanding Bonds (as of October 1, 2025)	\$12,010,000
The Bonds	<u>3,000,000</u>
Gross Direct Debt (after issuance of the Bonds)	\$15,010,000

Ratios of Gross Direct Debt to:

2025 Certified Taxable Assessed Valuation	3.00%
Estimated Taxable Assessed Valuation as of October 1, 2025	2.92%

Area of District — 694 acres

(a) As certified by the Appraisal District. See “TAX PROCEDURES.”

(b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable appraised value within the District on October 1, 2025. No tax will be levied on such amount. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year. Increases in value occurring between January 1, 2025, and January 1, 2026, will be certified and provided by the Appraisal District for purposes of setting the District’s ad valorem tax rate in the fall of 2026. See “TAX PROCEDURES.”

Cash and Investment Balances (unaudited as of October 13, 2025)

Operating Fund	Cash and Temporary Investments	\$1,306,715 (a)
Water, Sewer, and Drainage Debt Service Fund	Cash and Temporary Investments	\$183,563 (b)(c)
Road Debt Service Fund	Cash and Temporary Investments	\$244,456 (c)
Water, Sewer, and Drainage Capital Project Fund	Cash and Temporary Investments	\$36,393
Road Capital Project Fund	Cash and Temporary Investments	\$330,577

(a) See “RISK FACTORS—Operating Funds.”

(b) Does not include twelve (12) months of capitalized interest which will be deposited into such fund from Bond proceeds.

(c) Neither Texas law nor the Bond Resolution requires that the District maintain any particular sum in the Water, Sewer and Drainage Debt Service Fund or the Road Debt Service Fund. Funds in the Water, Sewer and Drainage Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for acquiring or constructing water, wastewater, and drainage facilities, including the Bonds, and are not available to pay debt service on bonds issued by the District for acquiring or constructing roads. Funds in the Road Debt Service Fund are pledged only to pay the debt service on bonds issued by the District for acquiring or constructing roads and are not available to pay debt service on bonds issued by the District for acquiring or constructing water, wastewater, and drainage facilities, including the Bonds.

Outstanding Bonds

The District has previously issued one series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities (the “Outstanding Water, Sewer and Drainage Bonds”) and two series of unlimited tax bonds for the purpose of acquiring or constructing road facilities (the “Outstanding Road Bonds”), of which \$12,010,000 principal amount was outstanding (the “Outstanding Bonds”) as of October 1, 2025.

Series	Original Principal Amount	Principal Amount Outstanding
2023	\$ 3,000,000	\$ 2,935,000
2023A (a)	5,000,000	4,900,000
2024 (a)	4,175,000	4,175,000
Total	\$ 12,175,000	\$ 12,010,000

(a) Unlimited tax road bonds.

Investments of the District

The District has adopted an Investment Policy as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code. The District's goal is to preserve principal and maintain liquidity while securing a competitive yield on its portfolio. Funds of the District may be invested in short term U.S. Treasuries, certificates of deposit insured by the Federal Deposit Insurance Corporation ("FDIC") and secured by collateral authorized by the Public Funds Investment Act, and 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 District portfolio.

ESTIMATED OVERLAPPING DEBT STATEMENT

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

Taxing Jurisdiction	Outstanding Bonds	As of	Overlapping	
			Percent	Amount
Hays County.....	\$ 448,288,993	9/30/2025	0.82%	\$ 3,675,970
Austin Community College District.....	657,685,000	9/30/2025	0.10%	657,685
Hays Consolidated ISD.....	1,274,510,000	9/30/2025	2.16%	27,529,416
City of Kyle.....	254,830,000	9/30/2025	6.13%	15,621,079
Total Estimated Overlapping Debt.....				\$ 47,484,150
The District (a).....	15,010,000	Current	100.00%	15,010,000
Total Direct and Estimated Overlapping Debt.....				\$ 62,494,150
Ratios of Direct and Estimated Overlapping Debt to:				
2025 Taxable Assessed Valuation				12.50%
Estimated Taxable Assessed Valuation as of October 1, 2025.....				12.17%

(a) Includes the Bonds and the Outstanding Bonds.

Overlapping Tax Rates for 2025

	Tax Rate per \$100 of Taxable <u>Assessed Valuation</u>
Hays County.....	\$ 0.35730
Hays County Special Road (a).....	0.04150
Hays County ESD No. 9.....	0.06237
Hays County ESD No. 5.....	0.10000
Hays Consolidated Independent School District (a).....	1.15460
City of Kyle.....	0.59570
Austin Community College District.....	0.10340
Plum Creek Conservation District.....	0.01370
Plum Creek Groundwater Conservation District.....	0.01700
Total Overlapping Tax Rate.....	\$ 2.44557
The District (b).....	0.20000
Total Tax Rate.....	\$ 2.64557

(a) Represents the 2024 tax rate.

(b) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Tax Collections

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

Tax Year	Taxable Assessed Valuation	Tax Rate	Total Tax Levy	Total Collections as of September 30, 2025 (a)	
				Amount	Percent
2020	\$ 31,709,956	\$ 0.15	\$ 47,565	\$ 47,565	100.00%
2021	130,286,177	0.15	195,429	195,429	100.00%
2022	291,614,420	0.20	583,229	583,226	100.00%
2023	385,163,016	0.20	770,326	750,304	97.40%
2024	468,752,114	0.20	937,504	911,266	97.20%
2025	499,886,765	0.20	999,774	(b)	(b)

(a) Unaudited.

(b) Taxes levied September 8, 2025, and are due by January 31, 2026.

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. No split payments are allowed, and no discounts are allowed.

Tax Rate Distribution

	2025	2024	2023	2022	2021
Debt Service	\$ 0.1700 (a)	\$ 0.1625	\$ -	\$ -	\$ -
Maintenance and Operations	0.0300	0.0375	0.2000	0.2000	0.1500
Total	\$ 0.2000	\$ 0.2000	\$ 0.2000	\$ 0.2000	\$ 0.1500

(a) The District levied a total debt service tax rate in 2025 of \$0.17, of which \$0.04225 is allocated to pay debt service on bonds issued for the System and \$0.12775 is allocated to pay debt service on bonds issued for the Road System.

Tax Rate Limitations

Debt Service: Unlimited (no legal limit as to rate or amount).

Maintenance and Operations: \$1.20 per \$100 of assessed valuation.

Road Maintenance: \$0.25 per \$100 of assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2025 tax year, the Board levied a debt service tax in the amount of \$0.17 per \$100 of assessed valuation of which: \$0.04225 is allocated to pay debt service on bonds issued for the System and; \$0.12775 is allocated to pay debt service on bond issued for the Road System.

Maintenance and Operations 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 tax is authorized by vote of the District's electors. On May 5, 2018, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.20 per \$100 of assessed valuation. For the 2025 tax year, the Board levied a maintenance tax in the amount of \$0.03 per \$100 of assessed valuation. Such tax is in addition to taxes that the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. For tax year 2025, the District has not granted any residential homestead exemptions.

Additional Penalties

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

Principal Taxpayers

The following list of principal taxpayers was provided by the District's tax assessor/collector and represents the principal taxpayers' value as a percentage of the 2025 Certified Taxable Assessed Valuation of \$499,886,765. This represents ownership as of January 1, 2025. A principal taxpayer list related to the Estimated Taxable Assessed Valuation as of October 1, 2025 is not available as of the date hereof.

Taxpayer	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
Simwon NA, Corp.	\$ 68,900,295	13.78%
Uptown at Plum Creek Phase 1A LLC	46,848,862	9.37%
Cromwell APC I LLC Crowell APC II LLC	36,308,463	7.26%
ENF (Kyle) Technology Inc.	36,081,601	7.22%
NP Austin Industrial 2 LLC	35,413,413	7.08%
Reef TX Kyle Crossing LLC	34,004,470	6.80%
NP Austin Industrial I LLC	32,336,434	6.47%
Sparrow Plum Creek Investors LLC	31,000,000	6.20%
151 Rikardson SFR LLC	23,218,078	4.64%
FQS Properties LLC	19,117,533	3.82%
Total	\$ 363,229,149	72.66%

Summary of Assessed Valuation

The following summary of the 2025, 2024 and 2023 Certified Taxable Assessed Valuations is provided by the District's Tax Assessor/Collector based on information provided by the Appraisal District and contained in the 2025, 2024 and 2023 certified tax rolls of the District. A breakdown related to the Estimated Taxable Assessed Valuation as of October 1, 2025 is not available from the Appraisal District as of the date hereof.

	2025	2024	2023
Land	\$ 111,227,709	\$ 105,303,536	\$ 81,533,713
Improvements	288,528,371	276,096,267	239,251,453
Personal Property	143,893,372	128,575,439	117,957,961
Exemptions and Deferments	(43,762,687)	(41,223,128)	(53,580,111)
Total	<u>\$ 499,886,765</u>	<u>\$ 468,752,114</u>	<u>\$ 385,163,016</u>

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation over the 2025 Certified Taxable Assessed Valuation of \$499,886,765 and the Estimated Taxable Assessed Valuation as of October 1, 2025 of \$513,615,970, no use of available funds, and utilize tax rates necessary to pay the District's average and maximum annual debt service requirements on the Outstanding Bonds and the Bonds.

Maximum annual debt service requirement (2048)	\$1,114,065
\$0.24 tax rate on the 2025 Certified Taxable Assessed Valuation	
of \$499,886,765 at a 95% collection rate produces	\$1,139,742
\$0.23 tax rate on the Estimated Taxable Assessed Valuation as of October 1, 2025	
of \$513,615,970 at a 95% collection rate produces	\$1,122,251
 Average annual debt service requirement (2026-2050)	 \$1,008,612
\$0.22 tax rate on the 2025 Certified Taxable Assessed Valuation	
of \$499,886,765 at a 95% collection rate produces	\$1,044,763
\$0.21 tax rate on the Estimated Taxable Assessed Valuation as of October 1, 2025	
of \$513,615,970 at a 95% collection rate produces	\$1,024,664

No representation or suggestion is made that the Estimated Taxable Assessed Valuation as of October 1, 2025 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amount or its inclusion herein as assurance of its attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The Hays Central Appraisal District (the "Appraisal District") has the responsibility for appraising property for all taxing units within Hays County, Texas, including the District. Such appraisal values are subject to review and change by the Hays Central Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll, as approved by the Appraisal Review Board will be used by the District to establish its tax rolls and tax rate.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; travel trailers; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District has not granted such exemption. 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 twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or 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 total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. 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 total 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 total 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. See "TAX DATA."

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

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

Tax Abatement

The City may designate all or part of the area within the District as a reinvestment zone. Thereafter, the City, Hays County 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 ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. The District has not entered into any tax abatement agreement.

Valuation of Property for Taxation

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

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

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis. The District, however, at its expense has the right to obtain from the Appraisal District a current estimate of appraised values within the District or an estimate of any new property or improvements within the District. While such current estimate of appraised values may serve to indicate the rate and extent of growth of taxable values within the District, it cannot be used for establishing a tax rate within the District until such time as the Appraisal District chooses formally to include such values on its appraisal roll.

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the District, adopting its tax rate for the tax year. A taxing unit, such as the District, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established 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 (such as the District) may appeal the orders of the Appraisal Review Board by filing a timely petition for review in State district court. In such event, the value of the property in question will be determined by the court or by a jury if requested by any party. Additionally, taxing units may bring suit against the Appraisal District to compel compliance with the Property Tax Code. The Property Tax Code sets forth notice and hearing procedures for certain tax increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

Levy and Collection of Taxes

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

Tax Payment Installations 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 one-fourth of the tax bill imposed on the property by the delinquency date. The remaining taxes may be paid without penalty or interest in three equal installments within six months of the delinquency date. 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, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District is made by the Board of Directors on an annual basis. The District was designated as a "Developing District" for tax year 2025. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Tax Rates for 2025." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both subject to the restrictions on residential homesteads described above under "Levy and Collection of Taxes." In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the cost of suit and sale, by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years for residential and agricultural property and six (6) months for commercial property and all other types of property after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. The District's ability to foreclose its tax lien or collect penalties or interest on delinquent taxes may be limited on property owned by a financial institution which is under receivership by the Federal Deposit Insurance Corporation pursuant to the Federal Deposit Insurance Act, 12 U.S.C. 1825, as amended. See "RISK FACTORS—Tax Collection Limitations."

GENERAL FUND OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the District's general fund are not pledged to the payment of the Outstanding Bonds and the Bonds but are available for any lawful purpose including payment of debt service on the Outstanding Bonds and the Bonds, at the discretion and upon action of the Board. The District is provided water and sewer service by the City, and all water and sewer revenues belong to the City. Consequently, the District's general fund is used primarily for the District's administration and it is not expected that significant net revenues, if any, will be available for debt service.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary is based upon information obtained from the District's audited financial statement for fiscal years ended July 31, 2022 through 2024, and an unaudited summary for the fiscal year ended July 31, 2025 as provided by the District's bookkeeper. Reference is made to such statements and records for further and more complete information.

	Fiscal Year Ended July 31			
	2025 (a)	2024	2023	2022 (b)
Revenues				
Property Taxes	\$ 173,102	\$ 800,540	\$ 547,152	\$ 199,961
Interest and Other	55,263	40,369	12,132	213
Total Revenues	\$ 228,365	\$ 840,909	\$ 559,284	\$ 200,174
Expenditures				
Legal Fees	\$ 73,569	\$ 91,215	\$ 89,827	\$ 95,523
Engineering Fees	3,370	11,678	10,579	8,885
Accounting Fees	20,770	18,020	10,850	5,500
Audit Fees	12,000	10,000	8,500	-
Tax Appraisal/Collection Fees	1,006	5,847	3,524	1,311
Public Notice	3,884	3,883	4,069	3,890
Director Fees	9,219	9,278	4,181	4,844
Insurance	3,819	3,999	3,769	3,019
Other	734	70	279	903
Total Expenditures	\$ 128,371	\$ 153,990	\$ 135,578	\$ 123,875
Revenues Over (Under) Expenditures	\$ 99,994	\$ 686,919	\$ 423,706	\$ 76,299
Other Financing Sources				
Developer Advances	\$ -	\$ -	\$ -	\$ 17,000
Fund Balance (Beginning of Year)	\$ 1,217,368	\$ 530,449	\$ 106,743	\$ 13,444
Fund Balance (End of Year)	\$ 1,317,362	\$ 1,217,368	\$ 530,449	\$ 106,743

(a) Unaudited. Provided by the District's bookkeeper.

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

DEBT SERVICE REQUIREMENTS

The following table sets forth the debt service requirements for the Outstanding Bonds and the Bonds.

Year	Outstanding Bonds Debt Service Requirements	Plus: Debt Service on the Bonds			Total Debt Service Requirements
		Principal	Interest	Total	
2026	\$ 835,910.00	\$ -	\$ 100,488.44	\$ 100,488.44	\$ 936,398.44
2027	835,277.50	65,000	142,987.50	207,987.50	1,043,265.00
2028	838,782.50	70,000	138,762.50	208,762.50	1,047,545.00
2029	836,045.00	70,000	134,212.50	204,212.50	1,040,257.50
2030	840,685.00	75,000	129,662.50	204,662.50	1,045,347.50
2031	835,472.50	80,000	124,787.50	204,787.50	1,040,260.00
2032	844,810.00	85,000	119,587.50	204,587.50	1,049,397.50
2033	843,035.00	90,000	114,062.50	204,062.50	1,047,097.50
2034	845,502.50	95,000	108,212.50	203,212.50	1,048,715.00
2035	856,952.50	100,000	104,412.50	204,412.50	1,061,365.00
2036	856,947.50	105,000	100,412.50	205,412.50	1,062,360.00
2037	855,900.00	110,000	96,212.50	206,212.50	1,062,112.50
2038	858,800.00	115,000	91,812.50	206,812.50	1,065,612.50
2039	865,250.00	120,000	87,212.50	207,212.50	1,072,462.50
2040	865,250.00	125,000	82,262.50	207,262.50	1,072,512.50
2041	874,100.00	135,000	76,950.00	211,950.00	1,086,050.00
2042	871,300.00	140,000	71,212.50	211,212.50	1,082,512.50
2043	877,350.00	150,000	65,087.50	215,087.50	1,092,437.50
2044	881,750.00	155,000	58,337.50	213,337.50	1,095,087.50
2045	889,500.00	165,000	51,362.50	216,362.50	1,105,862.50
2046	890,165.00	170,000	43,937.50	213,937.50	1,104,102.50
2047	894,170.00	180,000	36,075.00	216,075.00	1,110,245.00
2048	896,315.00	190,000	27,750.00	217,750.00	1,114,065.00
2049	291,550.00	200,000	18,962.50	218,962.50	510,512.50
2050	-	210,000	9,712.50	219,712.50	219,712.50
Total	\$ 20,080,820.00	\$ 3,000,000	\$ 2,134,475.94	\$ 5,134,475.94	\$ 25,215,295.94

Average Annual Debt Service Requirements (2026-2050).....\$1,008,612
Maximum Annual Debt Service Requirements (2048).....\$1,114,065

RISK FACTORS

General

The Bonds are obligations solely of the District and are not obligations of the City of Kyle, Hays County, Texas, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on all taxable property within the District in an amount sufficient to service the District's bonded debt or in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. See "THE BONDS—Source of and Security for Payment." The collection by the District of delinquent taxes owed to it and the enforcement by Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that taxable property within the District will maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "—Registered Owners' Remedies and Bankruptcy Limitations" herein.

Undeveloped Acreage

There are approximately 250 developable acres of land in the District that have not been fully provided with water, sanitary sewer, drainage, road and other facilities necessary for the construction of taxable improvements. Failure of the Developer to develop the developable land could restrict the rate of growth of taxable values in the District. See "THE DISTRICT—Status of Development."

Increase in Costs of Building Materials

As a result of supply issues, shipping constraints, and ongoing trade disputes (including tariffs), there have been recent substantial increases in the cost of lumber and other building materials, causing many general contractors to experience budget overruns. Further, the unpredictable nature of current trade policy (including the threatened imposition of tariffs) may impact the ability of the Developer to estimate costs. Additionally, immigration policies may affect the State's workforce, and any labor shortages that could occur may impact the rate of construction within the District. Uncertainty surrounding availability and cost of materials may result in decreased levels of construction activity, and may restrict the growth of property values in the District. The District makes no representations regarding the probability of development or homebuilding continuing in a timely manner or the effects that current or future economic or governmental circumstances may have on any plans of the Developer.

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District currently results from the current market value of industrial/manufacturing/commercial facilities and vacant tracts of land. The market value of such properties is related to general economic conditions in the City of Austin, the State of Texas, and the nation and those conditions can affect the demand for such properties. Demand for industrial/manufacturing/commercial facilities of this type can be significantly affected by factors such as interest rates, credit availability, construction costs and the prosperity and demographic characteristics of the urban center toward which the marketing of such properties is directed.

Credit Markets and Liquidity in the Financial Markets

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which developers are able to obtain financing for development costs. Interest rate levels may affect the ability of a landowner with undeveloped property to undertake and complete construction activities within the District. Because of the numerous and changing factors affecting the availability of funds, particularly liquidity in the national credit markets, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, since the District is located approximately 22 miles from the central downtown business district of the City of Austin, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies and national credit and financial markets. A downturn in the economic conditions of Austin and decline in the nation's real estate and financial markets could adversely affect development and home-building plans in the District and restrain the growth of the District's property tax base.

Developer/Landowner Obligation to the District

There are no commitments from or obligations of the Developer or any landowner in the District to proceed at any particular rate or according to any specified plan with the development of land or the construction of improvements in the District, and there is no restriction on any landowner's right to sell its land. Failure to construct taxable improvements on developed lots or developed tracts of land would restrict the rate of growth of taxable values in the District. The District cannot and does not make any representations that over the life of the Bonds continued development of taxable property within the District will increase or maintain its taxable value.

Dependence on Principal Taxpayers

The ten principal taxpayers in the District represent \$363,229,149, or 72.66%, of the District's 2025 Certified Taxable Assessed Valuation of \$499,886,765. The ability of any principal taxpayer 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. If, for any reason, any one or more principal taxpayers do not pay taxes due or do not pay in a timely manner, the District may need to levy additional taxes or use other funds available for debt service purposes. However, the District has not covenanted in the Bond Resolution, nor is it required by Texas law, to maintain any particular balance in its Debt Service Fund or any other funds to allow for any such delinquencies. Therefore, failure by one or more principal taxpayers to pay their taxes on a timely basis in amounts in excess of the District's available funds could have a material adverse effect upon the District's ability to pay debt service on the Bonds on a current basis.

Dependence on Personal Property Tax Collections

Because substantially all of the District's 2025 tax base is comprised of industrial/manufacturing/commercial facilities, approximately 28.79% (\$143,893,372) of the 2025 Certified Taxable Assessed Valuation (\$499,886,765) is personal property. See "TAX DATA—Summary of Assessed Valuation," and "TAX PROCEDURES—Property Subject to Taxation by the District." Unlike real property, there is no certainty that personal property will remain in the District from year to year. Business inventories are portable, and could be removed from the District at any time. Personal property removed from the District as of January 1 of any year is not subject to taxation by the District for that year. If personal property is subject to a lien for unpaid District taxes for any year, the District lien is lost if the property is sold in the ordinary course of business. A lien in the amount of the personal property taxes owed by a taxpayer attaches not only to personal property owned by the taxpayer as of January 1 with a tax situs in the District, but to any personal property then or thereafter owned by the taxpayer. However, the District may not be able to foreclose on personal property located outside the State of Texas, and locating and foreclosing on property held outside the District may be costly, inefficient and difficult. The statute of limitations for collection of personal property taxes is four years from the date of delinquency, which is shorter than the 20 year statute of limitations for real property. Personal property may not be seized and a suit may not be filed to collect delinquent personal property taxes if the tax has been delinquent for more than four years. A tax and any penalty and interest on the tax that is delinquent longer than the limitations period is presumed paid unless a suit to collect such personal property tax is pending. As with real property taxes, ad valorem taxes levied on personal property are the personal obligation of the taxpayer. See "TAX PROCEDURES."

Impact on District Tax Rates

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2025 Certified Taxable Assessed Valuation is \$499,886,765. After issuance of the Bonds, the maximum annual debt service requirement will be \$1,114,065 (2048) and the average annual debt service requirement will be \$1,008,612 (2026-2050, inclusive). Assuming no increase or decrease from the 2025 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.24 and \$0.22 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. The Estimated Taxable Assessed Valuation as of October 1, 2025 is \$513,615,970, subject to change and downward revision prior to certification. Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of October 1, 2025, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of \$0.23 and \$0.21 per \$100 of assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and average annual debt service requirement, respectively. See "DEBT SERVICE REQUIREMENTS." Although calculations have been made regarding the tax rate necessary to pay the maximum and average annual debt service on the Bonds based upon the 2025 Certified Taxable Assessed Valuation or the Estimated Taxable Assessed Valuation as of October 1, 2025, the District can make no representations regarding the future level of assessed valuation within the District. See "TAX PROCEDURES" and "TAX DATA—Tax Adequacy for Debt Service."

Future Debt

At a bond election held within the District on May 5, 2018, the voters of the District authorized the issuance of \$383,500,000 aggregate principal amount of unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities and refunding such bonds and the issuance of \$123,500,000 aggregate principal amount of unlimited tax bonds for the purpose of constructing or acquiring road facilities and refunding such bonds. After issuance of the Bonds, the District will have \$377,500,000 authorized but unissued unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities and refunding of such bonds and \$114,325,000 authorized but unissued unlimited tax bonds for the purpose of constructing or acquiring road facilities and refunding such bonds. The District reserves the right to issue the remaining \$377,500,000 authorized but unissued unlimited tax bonds for the purpose of constructing or acquiring water, sanitary sewer and drainage facilities

or refunding of such bonds and \$114,325,000 principal amount of unlimited tax bonds for the purpose of constructing or acquiring road facilities and refunding such bonds. See “THE BONDS—Issuance of Additional Debt.” The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The Bond Resolution imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District’s voters or the amount ultimately issued by the District, and in the case of the bonds for the System, subject to approval by the TCEQ and Attorney General of Texas. The District’s issuance of bonds for acquiring or constructing the Road System is not subject to TCEQ approval. Any additional bonds issued by the District may dilute the security for the Bonds. See “THE BONDS—Issuance of Additional Debt.”

The Developer has financed or is financing the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from sale of the Bonds, the Developer will have expended approximately \$8,200,000 for design, construction and acquisition of District utilities and other improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developer for these costs to the extent allowed by the Commission. Additionally, the District contains approximately 250 acres of developable land not presently served with water distribution, wastewater collection and storm drainage facilities. It is anticipated that additional bonds will be issued to finance the construction of these facilities to serve this undeveloped acreage. The District can make no representation that any additional development will occur within the District. The Engineer has stated that the District’s authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

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 market conditions limiting the proceeds from a foreclosure sale of taxable property and collection procedures. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. The costs of collecting any such taxpayer's delinquencies could substantially reduce the net proceeds to the District from a tax foreclosure sale. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. See “TAX PROCEDURES—District's Rights in the Event of Tax Delinquencies.”

Registered Owners' Remedies and Bankruptcy Limitations

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

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

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

A district may not be forced into bankruptcy involuntarily.

Environmental Regulations

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

- Requiring permits for construction and operation of water 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 Polyfluoroalkyl Substances (“PFAS”), which requires public water systems to perform certain monitoring and remediation measures. Public water systems may be subject to additional PFAS regulation in the future, which could increase the cost of constructing, operating, and maintaining water production and distribution facilities.

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

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) 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. While the District is currently not subject to the MS4 Permit, as the City has accepted ownership of municipal separate storm sewer system facilities, if the District were required to maintain coverage under the MS4 Permit, at a future date, it is anticipated that the District would partner with the City to participate in the City’s program to develop, implement, and maintain the required plan (the “MS4 Permit Plan”) as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. If, however, at any time in the future, the District were required to maintain independent coverage under the MS4 Permit, the District could incur substantial additional costs to develop, implement, and maintain the necessary 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 in order to comply with the MS4 Permit.

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.

Continuing Compliance with Certain Covenants

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

Marketability

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The Underwriter has entered into an agreement with Assured Guaranty Inc. (“AG” or the “Insurer”) for the purchase of a municipal bond insurance policy (the “Policy”). At the time of entering into the agreement, the Insurer was rated “AA” (stable outlook) by S&P. See “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

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

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

Neither the District nor the Underwriter has made independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the District to pay principal and interest on the Bonds and the claims paying ability of the Insurer, particularly over the life of the investment. See “MUNICIPAL BOND RATING” and “MUNICIPAL BOND INSURANCE” for further information provided by the Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Insurer.

LEGAL MATTERS

Legal Opinions

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, 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 Allen Boone Humphries Robinson LLP, 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 (as defined in Section 59(k) of the Internal Revenue Code of 1986, as amended (the “Code”)) for the purpose of determining the alternative minimum tax imposed on corporations.

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

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

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 Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Underwriter a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the date of delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation, affecting the validity of the Bonds or the levy and/or collection of taxes for the payment thereof; or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Bonds should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

Tax Exemption

In the opinion of Allen Boone Humphries Robinson LLP, Bond Counsel, under existing law, interest on the Bonds (i) is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the “Code”), and (ii) is not an item of tax preference for purposes of the alternative minimum tax on individuals.

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 bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond 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 it 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 that affect the excludability of interest on the Bonds from gross income for federal income tax purposes and, in addition, will rely on representations by the District and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the District and such parties, which Bond Counsel has not independently verified. If the District fails to comply with the covenants in the Bond Resolution or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Bonds could become includable in gross income from the date of delivery of the Bonds, regardless of the date on which the event causing such inclusion occurs.

Bond Counsel will express no opinion as to the amount or timing of interest on the Bonds or, except as stated above, any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Bonds. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Bond Resolution upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Bonds from gross income for federal income tax purposes.

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 thereof. 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 as to whether 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, regardless of the ultimate outcome of the audit.

Qualified Tax-Exempt Obligations

The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for "qualified tax-exempt obligations," which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as "qualified tax-exempt obligations" and (b) issued by or on behalf of a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District has designated the Bonds as "qualified tax-exempt obligations" and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities aggregated with the District under the Code during calendar year 2025 is not expected to exceed \$10,000,000 and that the District and entities aggregated with the District under the Code have not designated more than \$10,000,000 in "qualified tax-exempt obligations" (including the Bonds) during calendar year 2025.

Notwithstanding these exceptions, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

Additional Federal Income Tax Considerations

Collateral Tax Consequences: Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Bonds should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15 percent alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also 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, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax 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.

Prospective purchasers of the Bonds should also be aware that, 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.

Tax Accounting Treatment of Original Issue Premium: If the issue price of any maturity of the Bonds exceeds the stated redemption price payable at maturity of such Bonds, such Bonds (the “Premium Bonds”) are considered for federal income tax purposes to have “bond premium” equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond.

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

Tax Accounting Treatment of Original Issue Discount: If the issue price of any maturity of the Bonds is less than the stated redemption price payable at maturity of such Bonds (the “OID Bonds”), the difference between (i) the amount payable at the maturity of each OID Bond, and (ii) the initial offering price to the public of such OID Bond constitutes original issue discount with respect to such OID Bond in the hands of any owner who has purchased such OID Bond in the initial public offering of the Bonds. Generally, 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 OID Bond equal to that portion of the amount of such original issue discount allocable to the period that such OID Bond continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Bonds under the captions “—Tax Exemption” and “—Additional Federal Income Tax Considerations—*Collateral Tax Consequences*” and “—Tax Legislative Changes” generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

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

The foregoing discussion assumes that (i) the Underwriter has purchased the Bonds for contemporaneous sale to the public and (ii) all of the OID Bonds have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm’s-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official Statement. Neither the District nor Bond Counsel has made any investigation or offers any assurance that the OID Bonds will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Bond accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner’s basis for such OID Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) 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 OID Bonds that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of OID 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 OID Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such OID Bonds.

Tax Legislative Changes

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could 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 recently enacted, proposed, pending or future legislation.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District accepted the bid resulting in the lowest net interest cost, which bid was tendered by SAMCO Capital Markets, Inc. (the “Underwriter”) bearing the interest rates shown on the cover page hereof, at a price of 97.00% of the principal amount thereof which resulted in a net effective interest rate of 4.761972% as calculated pursuant to Chapter 1204 of the Texas Government Code.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which the Bonds have been offered for sale to the public. Otherwise, the District has no understanding with the Underwriter regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

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

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

Securities Laws

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

MUNICIPAL BOND RATING

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, (“S&P”) is expected to assign a municipal bond insured rating of “AA” (stable outlook) to the Bonds with the understanding that, upon issuance and delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by Assured Guaranty Inc. (“AG” or the “Insurer”). The District has not applied for an underlying investment grade rating on the Bonds nor is it expected that the District would have been successful if such application had been made. An explanation of the rating may be obtained from S&P. See “RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance,” “MUNICIPAL BOND INSURANCE” and “APPENDIX B.”

The rating reflects only the view of such organization and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised or withdrawn entirely by S&P, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Assured Guaranty Inc. (“AG” or the “Insurer”) will issue a municipal bond insurance policy (the “Policy”) for the Bonds. 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 APPENDIX B 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 August 4, 2025, KBRA announced that it had affirmed AG’s insurance financial strength rating of “AA+” (stable outlook).

On June 30, 2025, S&P announced that it had affirmed AG’s 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).

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, 2024.

Capitalization of AG

At September 30, 2025:

- The policyholders' surplus of AG was approximately \$3,268 million.
- The contingency reserve of AG was approximately \$1,481 million.
- The net unearned premium reserves and net deferred ceding commission income of AG and its subsidiaries (as described below) were approximately \$2,431 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 Securities and Exchange Commission (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, 2024 (filed by AGL with the SEC on February 28, 2025);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2025 (filed by AGL with the SEC on May 9, 2025); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2025 (filed by AGL with the SEC on August 8, 2025).
- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2025 (filed by AGL with the SEC on November 7, 2025).

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."

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

Engineer: The information contained in this Official Statement relating to engineering matters and to the description of the System and in particular that of engineering related information included in the sections entitled "THE DISTRICT," "THE 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. Information related to the status of development within these sections was prepared with assistance from the Developer.

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

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

Auditor: The District's financial statements for the year ended July 31, 2024, were audited by McCall Gibson Swedlund Barfoot Ellis PLLC. See APPENDIX A for a copy of the District's July 31, 2024 audited financial statements. The District has engaged the Auditor to audit its financial statements for fiscal year ended July 31, 2025.

Bookkeeper: The information related to the "unaudited" summary of the District's General Operating Fund as it appears in "GENERAL FUND OPERATIONS—Operating Statement" has been provided by Bott & Douthitt PLLC and is herein in reliance upon the authority of such firm as experts in tracking and managing the various funds of utility districts.

Updating the Official Statement

If, subsequent to the date of the Official Statement, the District learns, through the ordinary course of business and without undertaking any investigation or examination for such purposes, or is notified by the Underwriter, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriter elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriter an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriter; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate when the District delivers the Bonds to the Underwriter, unless the Underwriter notifies the District 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 as required by law (but not more than 90 days after the date the District delivers the Bonds).

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

The District will provide certain updated financial information and operating data annually to the MSRB, or any successor, through EMMA. The information to be updated with respect to the District includes all quantitative financial information and operating data of the general type included in this Official Statement under the headings “FINANCIAL STATEMENT (UNAUDITED),” “TAX DATA,” “DEBT SERVICE REQUIREMENTS,” and “APPENDIX A” (Financial Statements of the District). The District will update and provide this information within six months after the end of each fiscal year ending in or after 2025.

Any information so provided shall be prepared in accordance with generally accepted auditing standards or other such principals 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 completed within such period, then the District shall provide unaudited financial statements for the applicable fiscal year through 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 July 31. Accordingly, it must provide updated information by January 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB via 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 ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person; (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 obligation” 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 makes 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 described above under “—Annual Reports.”

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The MSRB makes the information available to the public without charge through the EMMA internet portal at www.emma.msrb.org.

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although Registered or Beneficial Owners of 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 to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or 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 and/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 Registered 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 Underwriter from lawfully purchasing the Bonds in the initial offering. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “—Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

Since entering into its first continuing disclosure agreement in 2023, the District has complied in all material respects with such continuing disclosure agreement in accordance with the Rule.

MISCELLANEOUS

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

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

/s/ Hillary E. Sotello
President, Board of Directors
North Hays County Municipal Utility District No. 2

ATTEST:

/s/ Kevin Oliver
Secretary, Board of Directors
North Hays County Municipal Utility District No. 2

AERIAL LOCATION MAP
(Taken August 2025)



**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2**

INTERSTATE 35

KHOLERS CROSSING

F.M. 1626



PHOTOGRAPHS OF THE DISTRICT
(Taken July 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements for the fiscal year ended July 31, 2024

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2**

YEAR ENDED JULY 31, 2024

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTIES OF HAYS }

I, Noel W. Barfoot of the
(Name of Duly Authorized District Representative)
North Hays County Municipal Utility District No. 2
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 9th day of December, 2024, its annual audit report for the fiscal year or period ended July 31, 2024 and that copies of the annual audit report have been filed in the district office, located at

919 Congress Avenue, Suite 1500, Austin, Texas 78701
(Address of District)

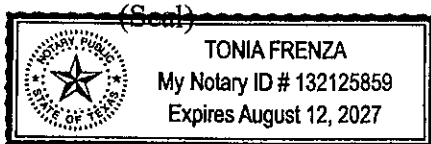
The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

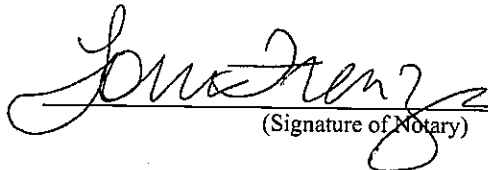
Date: December 11, 2024

By: 
(Signature of District Representative)

Noel W. Barfoot, Auditor
(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this the 11th day of December, 2024.




(Signature of Notary)

My Commission Expires On: August 12, 2027
Notary Public in the State of Texas.

INDEPENDENT AUDITOR'S REPORT

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

13100 Wortham Center Drive
Suite 235
Houston, Texas 77065-5610
(713) 462-0341
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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of North Hays County Municipal Utility District No. 2 (the "District") as of and for the year ended July 31, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of July 31, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

Other Information

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

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

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

December 9, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2024**

In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of North Hays County Municipal Utility District No. 2 (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended July 31, 2024. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance was \$1,217,368, an increase of \$686,919 from the previous fiscal year. General Fund revenues were \$840,909 and expenditures were \$153,990 for the fiscal year ending July 31, 2024.
- *Debt Service Fund:* Fund balance restricted for debt service increased to \$440,218 in the current fiscal year. The District received \$476,215 of capitalized interest from the Series 2023 and Series 2023A bond issues during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects increased to \$268,931 in the current fiscal year. The District issued \$3,000,000 of Series 2023 Unlimited Tax Bonds and \$5,000,000 of Series 2023A Unlimited Tax Road Bonds to purchase \$5,588,370 of infrastructure assets, pay \$814,274 of developer interest and pay \$819,273 of bond issuance related expenditures.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$4,936,521 in the current fiscal year. Net position decreased from \$275,917 at July 31, 2023 to a deficit balance of \$4,660,604 at July 31, 2024.

OVERVIEW OF THE DISTRICT

The District was created by Senate Bill 2245, Act of the 85th Legislature, Regular Session, and codified as Chapter 7988 of the Special District Local Laws Code. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Texas Water Code Chapters 49 and 54 for, among other purposes, financing the construction of the water, wastewater and drainage facilities and roads to serve the District.

The District contains approximately 694 acres and is located entirely within the corporate limits of the City of Kyle, west of Interstate Highway 35 and divided into two tracts by FM 1626.

The creation of the District was confirmed at an election held within the District on May 5, 2018.

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2024**

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Required Supplementary Information* presents a comparison statement between the District’s original budget and its actual results.

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table is a comparative summary of the Statement of Net Position for the current and prior fiscal years.

Summary Statement of Net Position			
	Governmental Activities		Change Increase (Decrease)
	2024	2023	
Current and other assets	\$ 1,962,680	\$ 547,021	\$ 1,415,659
Non-current assets	1,902,779	-	1,902,779
Total Assets	\$ 3,865,459	\$ 547,021	\$ 3,318,438
Current liabilities	\$ 236,878	\$ 14,104	\$ 222,774
Long-term liabilities	8,289,185	257,000	8,032,185
Total Liabilities	\$ 8,526,063	\$ 271,104	\$ 8,254,959
Net Investment in Capital Assets	\$ (5,860,475)	\$ -	\$ (5,860,475)
Restricted	217,301	-	217,301
Unrestricted	982,570	275,917	706,653
Total Net Position	\$ (4,660,604)	\$ 275,917	\$ (4,936,521)

The District's net position decreased by \$4,936,521 during the 2024 fiscal year to a deficit balance of \$4,660,604 at July 31, 2024 from the previous year's balance of \$275,917.

Revenues and Expenses:

	<u>Summary Statement of Activities</u>		
	Governmental Activities		Change Increase (Decrease)
	2024	2023	
Property taxes	\$ 820,274	\$ 546,101	\$ 274,173
Interest and other	88,368	12,132	76,236
Total Revenues	\$ 908,642	\$ 558,233	\$ 350,409
Professional fees	\$ 130,913	\$ 119,756	\$ 11,157
Other	119,988	15,822	104,166
Conveyance of assets	3,655,190	-	3,655,190
Developer interest	814,274	-	814,274
Debt service	1,094,397	-	1,094,397
Depreciation	30,401	-	30,401
Total Expenses	\$ 5,845,163	\$ 135,578	\$ 5,709,585
Change in Net Position	\$ (4,936,521)	\$ 422,655	\$ (5,359,176)
Beginning Net Position	275,917	(146,738)	422,655
Ending Net Position	\$ (4,660,604)	\$ 275,917	\$ (4,936,521)

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE (continued)

Revenues were \$908,642 for the fiscal year ended July 31, 2024 while expenses were \$5,845,163. Net position decreased \$4,936,521 during the 2024 fiscal year.

For the fiscal year ended July 31, 2024, property tax revenues totaled \$820,274. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2023 tax year (July 31, 2024 fiscal year) were based upon a current assessed value of \$407,148,854 and a tax rate of \$0.20 per \$100 of assessed valuation.

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budget requirements and the Debt Service Fund debt service obligations of the District. The District's primary revenue source is property taxes.

ANALYSIS OF GOVERNMENTAL FUNDS

	<u>Governmental Funds by Year</u>	
	2024	2023
Cash and cash equivalents	\$ 1,928,927	\$ 500,279
Receivables	29,934	2,468
Prepaid expenditures	3,819	44,274
Total Assets	<u>\$ 1,962,680</u>	<u>\$ 547,021</u>
Accounts payable and accrued	\$ 13,961	\$ 14,104
Total Liabilities	<u>\$ 13,961</u>	<u>\$ 14,104</u>
Deferred Inflows of Resources	<u>\$ 22,202</u>	<u>\$ 2,468</u>
Nonspendable	\$ 3,819	\$ 44,274
Restricted	709,149	-
Unassigned	1,213,549	486,175
Total Fund Balances	<u>\$ 1,926,517</u>	<u>\$ 530,449</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,962,680</u>	<u>\$ 547,021</u>

As of July 31, 2024, the District's governmental funds reflected a fund balance of \$1,926,517, an increase of \$1,396,068 from the previous fiscal year.

The General Fund fund balance reflects an increase of \$686,919 in fiscal year 2024 from property tax and interest revenues exceeding operating expenditures.

The Debt Service Fund reflects an increase of \$440,218 in fiscal year 2024. The Debt Service Fund received \$476,215 of capitalized interest from the Series 2023 and Series 2023A bond issues. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

**NORTH HAYS COUNTY
MUNICIPAL UTILITY DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JULY 31, 2024**

ANALYSIS OF GOVERNMENTAL FUNDS (Continued)

The Capital Projects Fund purchases the District’s infrastructure. The Capital Projects Fund had a \$268,931 increase in fund balance for fiscal year 2024. The District issued \$3,000,000 of Series 2023 Unlimited Tax Bonds and \$5,000,000 of Series 2023A Unlimited Tax Road Bonds to purchase \$5,588,370 of infrastructure assets and pay \$814,274 of developer interest and \$819,273 of bond issuance related expenditures.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted the 2024 budget on July 12, 2023. The budget included revenues of \$562,137 as compared to expenditures of \$189,830 for the 2024 fiscal year. When comparing actual figures to budgeted amounts, the District had a positive net variance of \$314,612. More detailed information about the District’s budgetary comparison is presented in the *Required Supplementary Information*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for the 2024 tax year is approximately \$486 million. The fiscal year 2025 tax rate (2024 tax year) is \$0.20 on each \$100 of taxable value. Approximately 19% of the property tax collected during fiscal year 2024 will fund general operating expenses, 61% will fund the District’s road debt service and 20% will fund the District’s utility debt service.

The amended budget for fiscal year 2025 projects an operating fund balance increase of \$26,214.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District’s finances and to demonstrate the District’s accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District in care of Allen Boone Humphries Robinson LLP, 919 Congress Ave., Suite 1500, Austin, TX 78701.

FINANCIAL STATEMENTS

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
JULY 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash	\$ 11,488	\$ -	\$ -	\$ 11,488	\$ -	\$ 11,488
Cash equivalents	1,208,290	440,218	268,931	1,917,439	-	1,917,439
Receivables -						
Property taxes	29,934	-	-	29,934	-	29,934
Prepaid costs	3,819	-	-	3,819	-	3,819
Capital assets -						
Water/wasterwater	-	-	-	-	1,902,779	1,902,779
TOTAL ASSETS	<u>\$ 1,253,531</u>	<u>440,218</u>	<u>268,931</u>	<u>1,962,680</u>	<u>1,902,779</u>	<u>3,865,459</u>
<u>LIABILITIES</u>						
Accounts payable	\$ 13,961	\$ -	\$ -	\$ 13,961	-	13,961
Accrued bond interest payable	-	-	-	-	222,917	222,917
Long-term liabilities -						
Due to developer	-	-	-	-	257,000	257,000
Bonds payable -						
Due after one year	-	-	-	-	8,032,185	8,032,185
TOTAL LIABILITIES	<u>13,961</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,961</u>	<u>8,512,102</u>	<u>8,526,063</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Deferred revenue - property taxes	22,202	-	-	22,202	(22,202)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>22,202</u>	<u>-</u>	<u>-</u>	<u>22,202</u>	<u>(22,202)</u>	<u>-</u>
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Nonspendable	3,819	-	-	3,819	(3,819)	-
Restricted for debt service	-	440,218	-	440,218	(440,218)	-
Restricted for authorized construction	-	-	268,931	268,931	(268,931)	-
Unassigned	1,213,549	-	-	1,213,549	(1,213,549)	-
TOTAL FUND BALANCES	<u>1,217,368</u>	<u>440,218</u>	<u>268,931</u>	<u>1,926,517</u>	<u>(1,926,517)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,253,531</u>	<u>\$ 440,218</u>	<u>\$ 268,931</u>	<u>\$ 1,962,680</u>		
Net position:						
Net investment in capital assets					(5,860,475)	(5,860,475)
Restricted for debt service					217,301	217,301
Unrestricted					982,570	982,570
TOTAL NET POSITION					<u>\$ (4,660,604)</u>	<u>\$ (4,660,604)</u>

The accompanying notes are an integral part of this statement.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JULY 31, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Property taxes, including penalties	\$ 800,540	\$ -	\$ -	\$ 800,540	\$ 19,734	\$ 820,274
Interest and other	40,369	16,948	31,051	88,368	-	88,368
TOTAL REVENUES	840,909	16,948	31,051	888,908	19,734	908,642
EXPENDITURES / EXPENSES:						
Legal Fees	91,215	-	-	91,215	-	91,215
Engineering fees	11,678	-	-	11,678	-	11,678
Accounting fees	18,020	-	-	18,020	-	18,020
Audit fees	10,000	-	-	10,000	-	10,000
Tax appraisal/collection fees	5,847	-	-	5,847	-	5,847
Public notice	3,883	-	-	3,883	-	3,883
Director fees, including payroll taxes	9,278	-	-	9,278	-	9,278
Insurance	3,999	-	-	3,999	-	3,999
Developer interest	-	-	814,274	814,274	-	814,274
Creation costs	-	-	96,911	96,911	-	96,911
Other	70	-	-	70	-	70
Debt service:						
Interest	-	52,945	-	52,945	222,179	275,124
Bond issuance costs	-	-	819,273	819,273	-	819,273
Conveyance of assets	-	-	-	-	3,655,190	3,655,190
Capital outlay	-	-	5,588,370	5,588,370	(5,588,370)	-
Depreciation	-	-	-	-	30,401	30,401
TOTAL EXPENDITURES / EXPENSES	153,990	52,945	7,318,828	7,525,763	(1,680,600)	5,845,163
Excess (deficiency) of revenues over (under) expenditures/expenses	686,919	(35,997)	(7,287,777)	(6,636,855)	1,700,334	(4,936,521)
OTHER FINANCING SOURCES (USES):						
Proceeds from sale of bonds	-	476,215	7,523,785	8,000,000	(8,000,000)	-
Premium on sale of bonds	-	-	56,285	56,285	(56,285)	-
Discount on sale of bonds	-	-	(23,362)	(23,362)	23,362	-
TOTAL OTHER FINANCING SOURCES, NET	-	476,215	7,556,708	8,032,923	(8,032,923)	-
NET CHANGE IN FUND BALANCES	686,919	440,218	268,931	1,396,068	(1,396,068)	-
CHANGE IN NET POSITION	-	-	-	-	(4,936,521)	(4,936,521)
FUND BALANCES / NET POSITION:						
Beginning of the year	530,449	-	-	530,449	(254,532)	275,917
End of the year	\$ 1,217,368	\$ 440,218	\$ 268,931	\$ 1,926,517	\$ (6,587,121)	\$ (4,660,604)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity - The District, a political subdivision of the State of Texas, was created by Senate Bill 2245, Act of the 85th Legislature, Regular Session, and codified as Chapter 7988 of the Special District Local Laws Code. The District was created under the provisions of Article XVI, Section 59 of the Texas Constitution and operates pursuant to Texas Water Code Chapters 49 and 54 for, among other purposes, financing the construction of the water, wastewater and drainage facilities and roads to serve the District. The reporting entity of the District encompasses those activities and functions over which the District’s officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which have been elected or deemed elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by GASB standards since the majority of Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined by GASB standards which are included in the District’s reporting entity.

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

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

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

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

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

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

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

- **General Fund** - The General Fund accounts for financial resources in use for general types of operations which are not encompassed within other funds. This fund is established to account for resources devoted to financing the general services that the District provides for its residents. Tax revenues and other sources of revenue used to finance the fundamental operations of the District are included in this fund.
- **Debt Service Fund** - The Debt Service Fund is used to account for the resources restricted, committed or assigned for the payment of debt principal, interest and related costs.
- **Capital Projects Fund** - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

Basis of Accounting

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

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

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

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

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

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Budgets and Budgetary Accounting - An unappropriated budget was adopted on July 12, 2023 for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year-end. The Budgetary Comparison Schedule – General Fund presents the original budget amounts compared to actual amounts of revenues and expenditures for the current year.

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

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

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

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

When expenditures are incurred for which restricted, committed, assigned or unassigned fund balances are available, the District considers amounts to have been spent first out of restricted funds, then committed funds, then assigned funds, and finally unassigned funds.

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

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

Fund Balances - Total Governmental Funds		\$	1,926,517
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds -			
Capital assets, net of accumulated depreciation			1,902,779
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.			22,202
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:			
Bonds payable	(8,000,000)		
Issuance premium/discount, net of accumulated amortization	(32,185)		
Developer advances	(257,000)		
Accrued interest	(222,917)		(8,512,102)
Net Position - Governmental Activities		\$	<u>(4,660,604)</u>

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

Net Change in Fund Balances - Governmental Funds		\$	1,396,068
Amounts reported for governmental activities in the Statement of Activities are different because -			
Governmental funds report:			
Property tax revenue in year collected			19,734
Interest expenditures in year paid			(222,179)
Bond sales and related bond discount/premium as other financing sources/(uses)			(8,032,923)
Capital outlay in year paid			5,588,370
Governmental funds do not report -			
Conveyance of assets			(3,655,190)
Depreciation			(30,401)
Change in Net Position - Governmental Activities		\$	<u><u>(4,936,521)</u></u>

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

3. CASH AND CASH EQUIVALENT INVESTMENTS

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

Cash - At July 31, 2024, the carrying amount of the District's cash was \$11,488 and the bank balance was \$13,983. The bank balance was covered by federal depository insurance.

Cash Equivalents and Investments -

Interest rate risk. In accordance with its investment policy, the District manages its exposure to declines in fair values through investment diversification and other strategies.

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

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

Investments in TexPool held in the Debt Service Fund are restricted for payment of debt service and the cost of assessing and collecting taxes and those investments held in the Capital Projects Fund are restricted for the purchase of capital assets.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2024

3. CASH AND CASH EQUIVALENT INVESTMENTS (continued) –

Cash Equivalents and Investments – (continued)

At July 31, 2024, the District held the following investments:

Investment	Fair Value at 7/31/2024	Governmental Fund			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted	Restricted		
TexPool	\$ 1,917,439	\$ 1,208,290	\$ 440,218	\$ 268,931	AAAm	Standard & Poors
	\$ 1,917,439	\$ 1,208,290	\$ 440,218	\$ 268,931		

The District invests in TexPool, an external investment pool that is not SEC-registered. The State Comptroller of Public Accounts of the State of Texas has oversight of the pool. Federated Hermes, Inc. manages the daily operations of the pool under a contract with the Comptroller. TexPool measures all of its portfolio assets at amortized cost. As a result, the District also measures its investments in TexPool at amortized cost for financial reporting purposes. There are no limitations or restrictions on withdrawals from TexPool.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of July 31, 2024, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of July 31, 2024, the District's bank deposits were fully covered by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Hays Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Hays County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set tax rates for the 2023 tax year (July 31, 2024 fiscal year) on September 18, 2023.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2023 tax roll. The tax rate, based on total taxable assessed valuation of \$407,148,854 was \$0.20 on each \$100 valuation and was allocated solely to the General Fund. The maximum allowable maintenance tax of \$1.20 and road tax of \$0.25 were established by the voters at an election held on May 5, 2018.

Property taxes of \$29,934 were receivable and allocated to the General Fund as of July 31, 2024.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2

NOTES TO THE FINANCIAL STATEMENTS

JULY 31, 2024

5. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	8/1/2023	Additions	Deletions	7/31/2024
Capital assets:				
Water/Wastewater Improvements	\$ -	\$ 1,933,180	\$ -	\$ 1,933,180
Total capital assets	\$ -	\$ 1,933,180	\$ -	\$ 1,933,180
Less accumulated depreciation for -				
Water/Wastewater Improvements	\$ -	\$ (30,401)	\$ -	\$ (30,401)
Total accumulated depreciation	\$ -	\$ (30,401)	\$ -	\$ (30,401)
Total capital assets, net of accumulated depreciation	\$ -	\$ 1,902,779	\$ -	\$ 1,902,779
Total capital assets	\$ -	\$ 1,902,779	\$ -	\$ 1,902,779

Certain water and wastewater facilities are conveyed to other entities for the purpose of providing water service and wastewater service to District residents. The District is entitled to significant residual interest in the facilities conveyed and continues to record these facilities as District assets and records depreciation on these facilities in accordance with GASB Statement No. 94.

6. BONDED DEBT

	Unlimited Tax and Road Bonds
Bonds payable at August 1, 2023	\$ -
Bonds issued	8,000,000
Bond premium/discount, net of accumulated amortization	32,185
Bonds payable at July 31, 2024	<u>\$ 8,032,185</u>

Bonds payable at July 31, 2024, were comprised of the following individual issues:

Unlimited Tax Bonds:

\$3,000,000 – 2023 Unlimited Tax Bonds payable through the year 2048 at interest rates which range from 4.00% to 5.10%. Bonds mature serially on September 1 in each of the years 2025 through 2037, both inclusive. Bonds maturing on or after September 1, 2029, are callable prior to maturity beginning on September 1, 2028. Bonds maturing September 1, 2041, 2044 and 2048 are term bonds and are subject to mandatory sinking fund redemption.

Unlimited Tax Road Bonds:

\$5,000,000 – 2023A Unlimited Tax Road Bonds payable serially through the year 2048 at interest rates which range from 5.00% to 7.50%. Bonds mature serially on September 1 in each of the years 2025 through 2040, both inclusive. Bonds maturing on or after September 1, 2029, are callable prior to maturity beginning on September 1, 2028. Bonds maturing September 1, 2042, 2044, 2046 and 2048 are term bonds and are subject to mandatory sinking fund redemption.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

6. BONDED DEBT (continued) –

The annual requirements to amortize all bonded debt at July 31, 2024, including interest, are as follows:

Year Ended	Annual Requirements for All Series		
	July 31,	Principal	Interest
2025	\$	-	\$ 460,438
2026		165,000	399,510
2027		175,000	389,019
2028		185,000	377,830
2029		200,000	365,839
2030-2034		1,165,000	1,665,876
2035-2039		1,520,000	1,346,426
2040-2044		1,990,000	912,750
2045-2049		2,600,000	340,950
	\$	8,000,000	\$ 6,258,638

On October 18, 2023, the District issued \$3,000,000 of Unlimited Tax Bonds, Series 2023, with interest rates ranging from 4.00% to 5.10%. The net proceeds of \$2,711,454 (after payment of underwriters discount and other bond issuance costs) were deposited with the District's investment accounts to finance construction costs associated with water and wastewater improvements and to pay for future bond interest and subsequent bond issuance costs.

On December 14, 2023, the District issued \$5,000,000 of Unlimited Tax Road Bonds, Series 2023A, with interest rates ranging from 5.00% to 7.50%. The net proceeds of \$4,574,590 (after payment of underwriters discount and other bond issuance costs) were deposited with the District's investment accounts to finance construction costs associated with road improvements and to pay for future bond interest and subsequent bond issuance costs.

Bonds authorized but not issued as of July 31, 2024 are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 380,500,000
Road Bonds	\$ 118,500,000

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

7. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for the construction of facilities, as well as costs pertaining to the operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developers by the District from proceeds of future District bond issues, subject to approval by the Commission, as applicable, or from operations. On May 5, 2018, a bond election held within the District approved authorization to issue \$383,500,000 of bonds for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems to serve the District and the refunding of such bonds; and \$123,500,000 of bonds to fund road improvements and the refunding of such bonds. As of July 31, 2024, the District has issued \$3,000,000 of unlimited tax bonds and \$5,000,000 of unlimited tax road bonds to repay the developers. The District has recorded a liability to the developers of \$257,000 for advances used to fund operating expenditures as of July 31, 2024.

8. RISK MANAGEMENT

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

9. CONSENT AGREEMENT

Pursuant to the Consent Agreement entered into by the District, the developers and the City, effective August 18, 2017, as amended, the District and the developers will design, finance, and construct all water, wastewater, and drainage facilities and roads required to serve the District in accordance with applicable City requirements and design standards. Upon completion of the construction of water and wastewater facilities and roads constructed by or on behalf of the District, and following the City's acceptance of such facilities, the facilities will be conveyed to the City for ownership, operation and maintenance. In exchange for the conveyance of the water and wastewater facilities to serve the District, the City agrees to operate and maintain all water and wastewater facilities conveyed and to provide retail water and wastewater services to customers within the District at the City's standard water and wastewater rates. The City is responsible for billing and collecting for water and wastewater services provided to customers within the District. All revenues from the water and wastewater customers in the District belong exclusively to the City. The Consent Agreement will continue in effect until terminated by the City, which date shall not be sooner than the date that the developers have received the total amount of reimbursements permitted to be made to them by the Water Code and Consent Agreement.

By law, the City has the right to dissolve the District and acquire the District's assets and assume the District's obligations. However, pursuant to the Consent Agreement the City agrees not to dissolve the District until the earlier of 20 years from the date of the Consent Agreement or until ninety percent (90%) of the land within the District has access to retail water and wastewater service from the City.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
NOTES TO THE FINANCIAL STATEMENTS
JULY 31, 2024

10. SUBSEQUENT EVENT

On October 15, 2024, the District closed on \$4,175,000 of Unlimited Tax Road Bonds, Series 2024. Bond proceeds were used to reimburse the developer for construction costs related to the road improvements and related engineering costs, as well as to fund future bond interest costs, interest on costs carried by the developer, and bond issuance costs. The bonds have interest rates ranging from 4.00% to 5.00% and principal maturities through September 1, 2049.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JULY 31, 2024

	<u>Actual</u>	<u>Original Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 800,540	\$ 538,137	\$ 262,403
Other	40,369	24,000	16,369
TOTAL REVENUES	<u>\$ 840,909</u>	<u>\$ 562,137</u>	<u>\$ 278,772</u>
EXPENDITURES:			
Legal fees	91,215	102,000	10,785
Engineering fees	11,678	12,000	322
Accounting fees	18,020	19,250	1,230
Audit fees	10,000	9,000	(1,000)
Tax appraisal/collection fees	5,847	20,000	14,153
Public notice	3,883	12,000	8,117
Director fees, including payroll taxes	9,278	9,780	502
Insurance	3,999	4,000	1
Other	70	1,800	1,730
TOTAL EXPENDITURES	<u>153,990</u>	<u>189,830</u>	<u>35,840</u>
NET CHANGE IN FUND BALANCE	<u>\$ 686,919</u>	<u>\$ 372,307</u>	<u>\$ 314,612</u>
FUND BALANCE:			
Beginning of the year	530,449		
End of the year	<u>\$ 1,217,368</u>		

OTHER SUPPLEMENTARY INFORMATION

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-1. SERVICES AND RATES
JULY 31, 2024

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

- | | | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input type="checkbox"/> Solid Waste/Garbage | <input type="checkbox"/> Flood Control | <input type="checkbox"/> Roads |
| <input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect) | | |
| <input checked="" type="checkbox"/> Other (specify): <u>water, wastewater and storm sewer facilities accepted by the City of Kyle for operations and maintenance</u> | | |

2. Retail Service Providers

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

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

District employs winter averaging for wastewater usage? Yes ☐ No ☐

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

b. Water and Wastewater Retail Connections:

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

⁽¹⁾ Retail water and wastewater service is provided by City of Kyle, Texas.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-1. SERVICES AND RATES (continued)
JULY 31, 2024

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

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

N/A

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

Does the District assess standby fees? Yes ☐ No ☒

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District

County(ies) in which district is located: _____ Hays County, Texas

Is the District located entirely within one county? Yes ☒ No ☐

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

City(ies) in which district is located: _____ Kyle, Texas

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

Entirely ☐ Partly ☐ Not at all ☒

ETJ's in which district is located: _____

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

(1) Retail water and wastewater service is provided by City of Kyle, Texas.

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-2. GENERAL FUND EXPENDITURES
JULY 31, 2024

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	10,000
Legal	91,215
Engineering	11,678
Financial Advisor	-
Purchased Services For Resale -	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	18,020
General Manager	-
Appraisal District/Tax Collector	5,847
Other Contracted Services	-
Utilities	-
Repairs and Maintenance	-
Chemicals	-
Administrative Expenditures:	
Directors' Fees	9,278
Office Supplies	-
Insurance	3,999
Election Costs	-
Other Administrative Expenditures	3,953
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Bad Debt	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	\$ 153,990

Number of persons employed by the District:

☐ Full-Time ☐ Part-Time

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-3. TEMPORARY INVESTMENTS
JULY 31, 2024

Fund	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
TexPool	XXX0001	Varies	Daily	\$ 1,188,875	\$ -
TexPool	XXX0002	Varies	Daily	19,415	-
Total				1,208,290	-
Debt Service Fund:					
TexPool	XXX0003	Varies	Daily	170,034	-
TexPool	XXX0005	Varies	Daily	270,184	-
Total				440,218	-
Capital Projects Fund:					
TexPool	XXX0004	Varies	Daily	34,638	-
TexPool	XXX0006	Varies	Daily	234,293	-
Total				268,931	-
Total				\$ 1,917,439	\$ -

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-4. TAXES LEVIED AND RECEIVABLE
JULY 31, 2024

	Maintenance Taxes	Debt Service Taxes	
Taxes Receivable, Beginning of Year	\$ 2,468	\$ -	
Prior Year Tax Adjustments	975		
2023 Original Tax Levy, less abatements	818,793	-	
Total to be accounted for	822,236	-	
Tax collections:			
Current year	790,539	-	
Prior years	1,763	-	
Total collections	792,302	-	
Taxes Receivable, End of Year	\$ 29,934	\$ -	
Taxes Receivable, By Tax Years			
2022 and before	\$ 1,680	\$ -	
2023	28,254	-	
Taxes Receivable, End of Year	\$ 29,934	\$ -	
Property Valuations:	2023	2022	2021
Land and improvements	\$ 407,148,854 (a)	\$ 269,296,982 (a)	\$ 121,172,125 (a)
Total Property Valuations	\$ 407,148,854	\$ 269,296,982	\$ 121,172,125
Tax Rates per \$100 Valuation:			
Debt Service tax rates	\$ -	\$ -	\$ -
Maintenance tax rates	0.20	0.20	0.15
Total Tax Rates per \$100 Valuation:	\$ 0.20	\$ 0.20	\$ 0.15
Original Tax Levy	\$ 818,793	\$ 540,406	\$ 181,758
Percent of Taxes Collected to Taxes Levied **	96.5%	99.9%	100.0%
Maximum Maintenance Tax Approved by Voters:	\$ 1.20 on 5/5/2018	Maintenance Tax	
	\$ 0.25 on 5/5/2018	Road Tax	

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

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

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
JULY 31, 2024

Fiscal Year Ending	Unlimited Tax Bonds Series 2023			Unlimited Tax Road Bonds Series 2023A			Total - All Issues		
	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total	Principal Due 9/01	Interest Due 3/01, 9/01	Total
2025	\$ -	\$ 143,310	\$ 143,310	\$ -	\$ 317,128	\$ 317,128	\$ -	\$ 460,438	\$ 460,438
2026	65,000	142,010	207,010	100,000	257,500	357,500	165,000	399,510	564,510
2027	65,000	139,394	204,394	110,000	249,625	359,625	175,000	389,019	564,019
2028	70,000	136,643	206,643	115,000	241,187	356,187	185,000	377,830	562,830
2029	75,000	133,651	208,651	125,000	232,188	357,188	200,000	365,839	565,839
2030	80,000	130,415	210,415	130,000	224,250	354,250	210,000	354,665	564,665
2031	85,000	126,929	211,929	140,000	217,500	357,500	225,000	344,429	569,429
2032	85,000	123,316	208,316	145,000	210,375	355,375	230,000	333,691	563,691
2033	90,000	119,597	209,597	155,000	202,875	357,875	245,000	322,472	567,472
2034	95,000	115,619	210,619	160,000	195,000	355,000	255,000	310,619	565,619
2035	100,000	111,327	211,327	170,000	186,750	356,750	270,000	298,077	568,077
2036	110,000	106,600	216,600	180,000	178,000	358,000	290,000	284,600	574,600
2037	115,000	101,424	216,424	190,000	168,750	358,750	305,000	270,174	575,174
2038	120,000	95,900	215,900	200,000	159,000	359,000	320,000	254,900	574,900
2039	125,000	89,925	214,925	210,000	148,750	358,750	335,000	238,675	573,675
2040	135,000	83,425	218,425	225,000	137,875	362,875	360,000	221,300	581,300
2041	140,000	76,550	216,550	235,000	126,375	361,375	375,000	202,925	577,925
2042	150,000	69,300	219,300	250,000	114,250	364,250	400,000	183,550	583,550
2043	155,000	61,675	216,675	260,000	101,500	361,500	415,000	163,175	578,175
2044	165,000	53,675	218,675	275,000	88,125	363,125	440,000	141,800	581,800
2045	175,000	45,175	220,175	290,000	74,000	364,000	465,000	119,175	584,175
2046	185,000	36,082	221,082	310,000	59,000	369,000	495,000	95,082	590,082
2047	195,000	26,393	221,393	325,000	43,125	368,125	520,000	69,518	589,518
2048	205,000	16,192	221,192	340,000	26,500	366,500	545,000	42,692	587,692
2049	215,000	5,483	220,483	360,000	9,000	369,000	575,000	14,483	589,483
	<u>\$ 3,000,000</u>	<u>\$ 2,290,010</u>	<u>\$ 5,290,010</u>	<u>\$ 5,000,000</u>	<u>\$ 3,968,628</u>	<u>\$ 8,968,628</u>	<u>\$ 8,000,000</u>	<u>\$ 6,258,638</u>	<u>\$ 14,258,638</u>

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
JULY 31, 2024

	<u>Series 2023</u>	<u>Series 2023A</u>	<u>Total</u>
Interest Rate	4.00% - 5.10%	5.00% - 7.50%	
Dates Interest Payable	3/01; 9/01	3/01; 9/01	
Maturity Dates	9/1/2048	9/1/2048	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ -	\$ -	\$ -
Bonds Sold During the Current Fiscal Year	3,000,000	5,000,000	8,000,000
Retirements During the Current Fiscal Year:			
Principal	-	-	-
Refunded	-	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 3,000,000</u>	<u>\$ 5,000,000</u>	<u>\$ 8,000,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 52,945</u>	<u>\$ -</u>	<u>\$ 52,945</u>
Paying Agent's Name & Address:	<u>UMB Bank</u> <u>Austin, TX</u>	<u>UMB Bank</u> <u>Austin, TX</u>	
Bond Authority:	<u>Unlimited</u> <u>Tax Bonds*</u>	<u>Road</u> <u>Bonds*</u>	
Amount Authorized by Voters	\$ 383,500,000	\$ 123,500,000	
Amount Issued	3,000,000	5,000,000	
Remaining To Be Issued	<u>\$ 380,500,000</u>	<u>\$ 118,500,000</u>	
* Includes all bonds secured with tax revenues. Bonds in this category may also be with other revenues in combination with taxes.			
Debt Service Fund Cash and Temporary Investments balances as of July 31, 2024:			<u>\$ 440,218</u>
Average Annual Debt Service Payment (Principal and Interest) for the remaining term of all debt:			<u>\$ 570,346</u>

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND AND DEBT SERVICE FUND - FIVE YEARS
JULY 31, 2024

	Amounts					Percent of Fund Total Revenues				
	2024	2023	2022	2021*	2020 *	2024	2023	2022	2021*	2020 *
GENERAL FUND REVENUES:										
Property taxes, including penalties	\$ 800,540	\$ 547,152	\$ 199,961	\$ 53,411	\$ 13,149	95.2%	97.8%	92.1%	51.6%	14.9%
Interest and other	40,369	12,132	213	16	10	4.8%	2.2%	0.1%	0.1%	-
Developer advances	-	-	17,000	50,000	75,000	-	-	7.8%	48.3%	85.1%
TOTAL GENERAL FUND REVENUES	840,909	559,284	217,174	103,427	88,159	100.0%	100.0%	100.0%	100.0%	100.0%
GENERAL FUND EXPENDITURES:										
Legal fees	91,215	89,827	95,523	84,576	34,718	10.8%	16.2%	44.1%	81.7%	39.3%
Engineering fees	11,678	10,579	8,885	10,096	11,377	1.4%	1.9%	4.1%	9.8%	12.9%
Accounting fees	18,020	10,850	5,500	3,500	3,050	2.1%	1.9%	2.5%	3.4%	3.5%
Audit fees	10,000	8,500	-	-	-	1.2%	1.5%	-	-	-
Tax appraisal/collection fees	5,847	3,524	1,311	335	72	0.7%	0.6%	0.6%	0.3%	0.1%
Public notice	3,883	4,069	3,890	3,323	-	0.5%	0.7%	1.8%	3.2%	-
Director fees, including payroll taxes	9,278	4,181	4,844	2,261	2,261	1.1%	0.7%	2.2%	2.2%	2.6%
Insurance	3,999	3,769	3,019	2,992	2,992	0.5%	0.7%	1.4%	2.9%	3.4%
Other	70	279	903	79	370	-	-	0.4%	0.1%	0.4%
TOTAL GENERAL FUND EXPENDITURES	153,990	135,578	123,875	107,162	54,840	18.3%	24.2%	57.1%	103.6%	62.2%
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES OVER (UNDER) EXPENDITURES	\$ 686,919	\$ 423,706	\$ 93,299	\$ (3,735)	\$ 33,319	81.7%	75.8%	42.9%	-3.6%	37.8%
DEBT SERVICE FUND REVENUES:										
Interest and other	\$ 16,948	\$ -	\$ -	\$ -	\$ -	3.4%	-	-	-	-
Bond proceeds, net of discount	476,215	-	-	-	-	96.6%	-	-	-	-
TOTAL DEBT SERVICE FUND REVENUES	493,163	-	-	-	-	100.0%	-	-	-	-
DEBT SERVICE FUND EXPENDITURES -										
Bond interest	52,945	-	-	-	-	10.7%	-	-	-	-
TOTAL DEBT SERVICE FUND EXPENDITURES	52,945	-	-	-	-	10.7%	-	-	-	-
EXCESS OF DEBT SERVICE FUND REVENUES OVER EXPENDITURES	\$ 440,218	\$ -	\$ -	\$ -	\$ -	89.3%	-	-	-	-
TOTAL ACTIVE RETAIL WATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	(1)	(1)	(1)	(1)	(1)					

(1) City of Kyle, Texas provides retail water and wastewater service.

* Unaudited

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
JULY 31, 2024

Complete District Mailing Address:	<u>919 Congress Ave., Suite 1500</u> <u>Austin, TX 78701</u>
District Business Telephone Number:	<u>(512) 518-2424</u>
Submission Date of the most recent District Registration Form TWC Sections 36.054 and 49.054):	<u>May 23, 2024</u>
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	<u>\$ 7,200</u>

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid * 7/31/2024	Expense Reimbursements 7/31/2024	Title at Year End
<i>Board Members:</i>				
ERICA ALLISON	(Elected) 5/4/2024 - 5/6/2028	\$ 1,326	\$ 70	President
MARCEL G. GARZA	(Appointed) 5/7/2022 - 5/2/2026	\$ 2,652	\$ -	Vice President
KEVIN HOWARD	(Elected) 5/4/2024 - 5/6/2028	\$ 2,210	\$ -	Secretary
HILLARY E. SOTELLO	(Appointed) 5/7/2022 - 5/2/2026	\$ 2,431	\$ -	Assistant Secretary
<i>Consultants:</i>				
Allen Boone Humphries Robinson LLP	8/18/2017	\$ 97,737	\$ -	Attorney
		\$ 238,727	\$ -	Bond Related Services
Jones-Heroy & Associates Inc.	8/18/2017	\$ 11,417	\$ -	Engineer
		\$ 20,483	\$ -	Bond Related Services
Bott & Douthitt, PLLC	8/18/2017	\$ 17,822	\$ -	Accountant
McCall Gibson Swedlund Barfoot PLLC	2/7/2022	\$ 10,000	\$ -	Auditor
		\$ 36,500	\$ -	Bond Related Services
Specialized Public Finance	5/14/2018	\$ 185,902	\$ -	Bond Related Services
Hays County Tax Collector	6/26/2018	\$ 10	\$ -	Tax Collector

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

TEXAS SUPPLEMENTARY INFORMATION

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
OSI-1. PRINCIPAL TAXPAYERS
JULY 31, 2024

Taxpayer	Type of Property	Tax Roll Year		
		2024	2023	2022
Simwon NA, Corp.	N/A	\$ 73,444,358	\$ 57,932,053	\$ -
Cromwell APC I LLC / Cromwell APC II LLC	N/A	42,016,628	45,545,551	47,307,964
NP Austin Industrial 2 LLC	N/A	36,630,221	35,014,227	34,953,405
Reef TX Kyle Crossing LLC	N/A	35,123,570	39,035,570	-
Sparrow Plum Creek Investors LLC	N/A	34,959,339	30,930,000	18,535,025
NP Austin Industrial 1 LLC	N/A	32,601,610	32,425,734	31,550,000
Uptown at Plum Creek Phase 1A LLC	N/A	32,454,269	19,060,470	18,828,660
151 Rikardson SFR LLC	N/A	24,953,939	23,000,000	21,000,000
ENF (Kyle) Technology Inc.	N/A	23,112,196	23,719,926	15,839,263
FQS Properties LLC	N/A	17,968,910	-	-
Mountain Plum Ltd.	N/A	-	19,496,560	-
Majestic Kyle LLC	N/A	-	-	37,368,910
Kai.Se USA LLC	N/A	-	-	11,905,564
Park PC I LP	N/A	-	-	7,150,533
Total		<u>\$ 353,265,040</u>	<u>\$ 326,160,091</u>	<u>\$ 244,439,324</u>
Percent of Assessed Valuation		<u>72.7%</u>	<u>80.1%</u>	<u>90.8%</u>

NORTH HAYS COUNTY MUNICIPAL UTILITY DISTRICT NO. 2
OSI-2. ASSESSED VALUE BY CLASSIFICATION
JULY 31, 2024

Type of Property	Tax Roll Year					
	2024		2023		2022	
	Amount	%	Amount	%	Amount	%
Residential Single Family	\$ 15,366,566	3.2%	\$ 575,000	0.1%	\$ 1,137,350	0.4%
Residential Multi Family	131,688,666	27.1%	117,287,191	28.8%	104,613,319	38.8%
Vacant Platted Lots	22,310,606	4.6%	17,823,190	4.4%	13,083,370	4.9%
Real Acreage	16,284,670	3.3%	24,261,800	6.0%	21,302,000	7.9%
Farm and Ranch Improvements	3,648,030	0.8%	3,954,783	1.0%	488,080	0.2%
Commerical and Industrial	166,314,218	34.2%	136,255,469	33.5%	130,047,578	48.3%
Tangible Business Property	144,577,176	29.7%	123,340,386	30.3%	24,974,561	9.3%
Real Inventory	4,113,297	0.8%	1,895,550	0.5%	-	-
Adjustments & Exemptions	(18,069,348)	-3.7%	(18,244,515)	-4.6%	(26,349,276)	-9.8%
Total	<u>\$ 486,233,881</u>	<u>100.0%</u>	<u>\$ 407,148,854</u>	<u>100.0%</u>	<u>\$ 269,296,982</u>	<u>100.0%</u>

APPENDIX B
Specimen Municipal Bond Insurance Policy



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

1633 Broadway, New York, N.Y. 10019

(212) 974-0100

Form 500 (8/24)