This Official Notice of Sale does not alone constitute an invitation for bids on the Bonds but is merely notice of the sale of the Bonds described herein. The invitation for bids is being made by means of this Official Notice of Sale, the Official Bid Form attached hereto, and the Preliminary Official Statement. Information contained in this Official Notice of Sale is qualified in its entirety by the detailed information contained in the Preliminary Official Statement.

The Bonds will **NOT** be designated as "Qualified Tax-Exempt Obligations" for Financial Institutions.

OFFICIAL NOTICE OF SALE
SONTERRA MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)
$3,820,000
UNLIMITED TAX BONDS, SERIES 2025

Bids Due: Monday, January 13, 2025 at 9:00 A.M., CST
Award Expected: 6:00 P.M., CST

The Bonds are obligations of Sonterra Municipal Utility District (the "District") and are not obligations of the City of Jarrell, Jarrell Independent School District, Williamson County, the State of Texas, or any entity other than the District.

THE SALE

Bonds Offered for Sale by Competitive Bidding: The Board of Directors (the "Board") of the District is inviting competitive bids for the purchase of $3,820,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"). Bids may be submitted by either of three alternative procedures: (1) sealed, written bids; (2) electronic bids; or (3) facsimile bids. Prospective bidders may select one of the three alternative bidding procedures in their sole discretion. Neither the District nor its Financial Advisor, Specialized Public Finance Inc., assumes any responsibility or liability for a prospective bidding procedure.

The District and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of bids by telephone, facsimile, or electronic options.

Specialized Public Finance Inc. will not be responsible for submitting any bids received after the deadline. For the purpose of determining compliance with any and all time deadlines set forth in this Official Notice of Sale, for all alternative bidding procedures, the official time shall be the time maintained only by the Parity Electronic Bid Submission System ("PARITY").

Procedure Number 1: Sealed, Written Bids Delivered in Person: Sealed bids, plainly marked "Bid for Bonds," should be addressed to "President and Board of Directors, Sonterra Municipal Utility District," and should be delivered to the District's Financial Advisor, Garry Kimball, Specialized Public Finance Inc. at 248 Addie Roy Road, Suite B-103, Austin, Texas 78746, by 9:00 A.M., CST, on January 13, 2025 ("the date of the bid opening").

Procedure Number 2: Electronic Bidding Procedures: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 9:00 A.M., CST, on the date of the bid opening. ***Bidders must also submit, by 9:00 A.M., CST, on the date of the bid opening, SIGNED OFFICIAL BID FORMS to Garry Kimball, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.***

Subscription to the i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid through PARITY. Further information about PARITY, including any fee charged, may be obtained from Dalcomp/Parity, 40 West 23rd Street, 5th Floor, New York, New York 10010, (212) 404-8102.

The District will neither confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe to the bidding system.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds on the terms provided in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither Specialized Public Finance Inc. nor the District shall be responsible for any malfunction or mistake made by, or as a result of the use of the facilities of PARITY, the use of such facilities being the sole risk of the prospective bidder.

All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form. If any provision of this Official Notice of Sale shall conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control.

For information purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under "Basis of Award" below.

PROCEDURE NUMBER 3: BIDS BY FACSIMILE: Bidders that choose to exercise the facsimile bidding options must submit their bid by facsimile on the date of the sale. Any bids received by facsimile will be attached to the signed Official Bid Form previously submitted.

Facsimile bids to the attention of Garry Kimball will be accepted at (512) 275-7305, between 8:30 AM and 9:00 AM, CST on the date of the sale.

The District and Specialized Public Finance Inc. are not responsible if such facsimile number is busy or malfunctioning which prevents a bid or bids from being submitted on a timely basis. **The District and Specialized Public Finance Inc. will not be responsible for submitting any bids received after the above deadlines.** The District and Specialized Public Finance Inc. assume no responsibility or liability with respect to any irregularities associated with the submission of bids if the facsimile bid option is exercised.

PLACE AND TIME OF BID OPENING: The District will consider the award of the sale of the Bonds on Monday, January 13, 2025 at 6:00 P.M., CST at the District's regular meeting place at 113 Limestone Terrace, Jarrell, Texas 76537. Action will be taken immediately by the Board to accept or reject the best bid.

AWARD OF THE BONDS: The District will take action to award the Bonds or reject any or all bids promptly upon the opening of bids. Upon awarding the Bonds to the winning bidder (the "Purchaser"), the Board will adopt an order authorizing the issuance of the Bonds (the "Bond Order"). Sale of the Bonds will be made subject to the terms, conditions, and provisions of the Bond Order, to which Bond Order reference is hereby made for all purposes. The District reserves the right to reject any and all bids and to waive any irregularities, except the time of filing.

WITHDRAWAL OF THE BIDS: Any bid may be withdrawn by an authorized representative of the bidder at any time prior to the time set for receipt of bids. Thereafter, all bids shall remain firm for twelve hours after the time for receipt of the bids. The award of or rejection of bids will occur within this time period.

EXTENSION OF SALE DATE: The District reserves the right to extend the date and/or time for the receipt of bids by giving notice, by Bond Buyer Wire Service, and by posting a notice at the place established for receipt of bids, not later than 9:00 A.M., CST, on Friday, January 10, 2025, of the new date and/or time for receipt of bids. Such notice shall be considered an amendment to this Official Notice of Sale.

THE BONDS

DESCRIPTION OF THE BONDS: The Bonds will be dated February 20, 2025. Interest will accrue from the Date of Initial Delivery (defined herein), will be payable on August 15, 2025, and on each February 15 and August 15 thereafter until the earlier of maturity or prior redemption and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the book-entry-only system described herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** The Bonds will be issued in fully registered form only, in denominations of $5,000 or any integral multiple of $5,000 for any one maturity, and principal and interest will be paid by BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar") which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See the Preliminary Official Statement (made a part hereof) for a more complete description of the Bonds, including redemption provisions. The Bonds will mature on August 15 in the years and amounts as follows:

MATURITY SCHEDULE*

Maturity (August 15)	Principal Amount
2025	$ 1,000,000
2026	260,000
2027	275,000
2028	285,000
2029	300,000
2030	310,000
2031	325,000
2032	340,000
2033	355,000
2034	370,000

*Preliminary, subject to change.

Optional Redemption Provisions: Bonds maturing on and after August 15, 2031, are subject to redemption prior to maturity, at the option of the District, as a whole or, from time to time in part, on August 15, 2030, or on any date thereafter, at a price of par plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District.

Mandatory Sinking Fund Redemption: If the successful bidder designates principal amounts to be combined into one or more term bonds ("Term Bonds"), each such Term Bond shall be subject to mandatory sinking fund redemption commencing on August 15 of the first year which has been combined to form such Term Bond and continuing on August 15 in each year thereafter until the stated maturity date of that Term Bond. The amount redeemed in any year shall be equal to the principal amount for such year set forth above under the caption "MATURITY SCHEDULE." Bonds to be redeemed in any year by mandatory sinking fund redemption shall be redeemed at par by lot or other customary method. The principal amount of the Term Bonds required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the District, by the principal amount of any Term Bonds of the stated maturity which, at least 50 days prior to a mandatory redemption date, (1) shall have been acquired by the District, at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

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

Source and Security of Payment: The Bonds will constitute valid and legally binding obligations of the District, with principal and interest payable solely from the proceeds of a continuing, direct, annual ad valorem tax levied against all taxable property located within the District, without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the City of Jarrell, Jarrell ISD, Williamson County, the State of Texas, or any entity other than the District.

Book-Entry-Only System: The District intends to utilize the book-entry-only system of DTC. See "THE BONDS – Book-Entry-Only System" in the Preliminary Official Statement.

Registered Form Requirement: Section 149(a) of the Internal Revenue Code of 1986, as amended (the "Code"), requires that all tax-exempt obligations (with certain exceptions that do not include the Bonds) be in registered form in order for the interest payable on such obligations to be excluded from the registered owners' income for federal income tax purposes.

Successor Paying Agent/Registrar: Provision is made in the Bond Order 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 corporation organized and doing business under the laws of the United States of America or any state thereof subject to supervision or examination by federal or state banking authorities.

CONDITIONS OF THE SALE

Types of Bids and Interest Rates: The Bonds will be sold in one block on an "all or none" basis at a price of not less than ninety-seven percent (97%) of the par value. Bidders are to name the rate or rates of interest to be borne by the Bonds, provided that each interest rate bid must be in a multiple of 1/8 of 1% or 1/20 of 1%. The net effective interest rate on the Bonds may not exceed a rate which is two percentage points (2%) above the highest "25 Bond Revenue Index" as reported by the "Bond Buyer" during the thirty (30) day period prior to the date of this Official Notice of Sale. Subject to the conditions below, no limitation will be imposed upon bidders as to the number of interest rates that may be used, but <u>the highest interest rate bid may not exceed the lowest interest rate bid by more than 3.0% in rate</u>. All Bonds maturing within a single year must bear the same rate of interest. No bids for the Bonds involving supplemental interest rates will be considered. Each bidder shall state in its bid the total and net interest cost in dollars and the net effective interest rate determined thereby, which shall be considered informative only and not as a part of the bid. No bid generating a cash premium greater than $5,000 will be considered.

Post Bid Modification Of Principal Amounts Per Maturity: After selecting the winning bid, the principal amortization schedule may be adjusted as determined by the District and its Financial Advisor in $5,000 increments to reflect the actual interest rates. Such adjustments will not change the aggregate principal amount of the Bonds and will not change the aggregate principal amount per maturity by more than 15% from the amount set forth herein. The dollar amount bid for the Bonds by the winning bidder will be adjusted proportionately to reflect any increase or decrease in the aggregate principal amount of the Bonds finally determined to be issued. The District will use its best efforts to communicate to the winning bidder any such adjustments within three (3) hours after the opening of bids. Purchaser's compensation will be based upon the final par amount after any adjustments thereto, subsequent to the receipt and tabulation of the winning bid, within the aforementioned parameters.

In the event of any adjustment of the maturity schedule for the Bonds as described above, no rebidding or recalculation of the proposals submitted will be required or permitted. The bid price for such an adjustment will reflect changes in the dollar amount per maturity of the par amount of the Bonds from the selling compensation that would have been received based on the purchase price in the winning bid and the initial reoffering terms. Any such adjustments of the aggregate principal amount of the Bonds per maturity and/or of the maturity schedule for the Bonds made by the District or its Financial Advisor shall be subsequent to the award of the Bonds to the winning bidder as determined pursuant to conditions herein and shall not affect such determination. The winning bidder may not withdraw its bid as a result of any changes made within the aforementioned limits.

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

TEXAS BOND REVIEW BOARD INFORMATION . . . In order to provide the District with information required to be submitted to the Texas Bond Review Board pursuant to Section 1202.008, Texas Government Code, as amended, the Purchaser will be required to provide the District with a breakdown of its "underwriting spread" which, at minimum, consists of the following categories: Takedown, Management Fee (if any), Legal Counsel Fee (if any) and Spread Expenses (if any).

PROVISION OF TEXAS ETHICS COMMISSION FORM 1295: In accordance with Texas Government Code Section 2252.908 (the "Interested Party Disclosure Act"), the District may not award the Bonds to a bidder unless the winning bidder either:

(i) submits a Certificate of Interested Parties Form 1295 (the "TEC Form 1295") to the District as prescribed by the Texas Ethics Commission ("TEC"), or

(ii) certifies in the Official Bid Form that it is exempt from filing the TEC Form 1295 by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

In the event that the bidder's bid for the Bonds is the best bid received, the District, acting through its financial advisor, will promptly notify the winning bidder. That notification will serve as the District's conditional verbal acceptance of the bid, and, unless the bidder is exempt from filing a TEC Form 1295, such notification will obligate the winning bidder to promptly file a completed TEC Form 1295, as described below, in order to allow the District to complete the award. The District reserves the right to reject any bid that does not comply with the requirements prescribed herein.

For purposes of completing the TEC Form 1295, box 2 is the name of the governmental entity (*Sonterra Municipal Utility District*) and box 3 is the identification number assigned to this contract by the District *(Sonterra MUD UTB 2025)* and description of the goods or services (*Purchase of Sonterra Municipal Utility District Unlimited Tax Bonds, Series 2025*). **The Interested Party Disclosure Act and the rules adopted by the TEC with respect thereto (the "Disclosure Rules") require certain business entities contracting with the District to complete the TEC Form 1295 electronically at https://www.ethics.state.tx.us/main/file.htm, print, complete the unsworn declaration, sign, and deliver, in physical form, the certified TEC Form 1295 that is generated by the TEC's "electronic portal" to the District. The completed and signed TEC Form 1295 must be sent by email, to the District's financial advisor at garry@spfmuni.com and bond counsel at jbfowler@mphlegal.com, as soon as possible following the notification of conditional verbal acceptance and prior to the final written award.**

To the extent that the bidder is not exempt from filing a TEC Form 1295 and therefor makes such filing with the District, the Interested Party Disclosure Act and the TEC Form 1295 provide that such declaration is made "under penalty of perjury." Consequently, a bidder should take appropriate steps prior to completion of the TEC Form 1295 to familiarize itself with the Interested Party Disclosure Act, the Disclosure Rules and the TEC Form 1295. **Time will be of the essence in submitting the form to the District, and no final award will be made by the District regarding the sale of the Bonds until a completed TEC Form 1295 is received. The District reserves the right to reject any bid that does not satisfy the requirement of a completed TEC Form 1295, as described herein.** Neither the District nor its consultants have the ability to verify the information included in a TEC Form 1295, and neither party has an obligation nor undertakes responsibility for advising any bidder with respect to the proper completion of the TEC Form 1295. Consequently, an entity intending to bid on the Bonds should consult its own advisors to the extent it deems necessary and be prepared to submit the completed form promptly upon notification from the District that its bid is the conditional winning bid. Instructional videos on logging in and creating a certificate are provided on the TEC's website at https://www.ethics.state.tx.us/whatsnew/elf_info_form1295.htm.

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

GOOD FAITH DEPOSIT: Each bid must be accompanied by a bank cashier's check payable to the order of "Sonterra Municipal Utility District" in the amount of $76,400 which is 2% of the par value of the Bonds. The check will be considered as a Good Faith Deposit, and the check of the successful bidder (the "Purchaser") will be retained uncashed by the District until the Bonds are delivered. Upon payment for and delivery of the Bonds, the Good Faith Deposit will be returned to the Purchaser uncashed. If the Purchaser should fail or refuse to make payment for or accept delivery of the Bonds in accordance with its bid, then the check will be cashed and accepted by the District as full and complete liquidated damages; however, if it is determined after the acceptance of the bid by the District that the Purchaser was found not to satisfy the requirements described under "Covered Verifications" and as a result the Texas Attorney General will not deliver its approving opinion on the Bonds, then said check shall be cashed and accepted by the District but shall not be the sole or exclusive remedy available to the District. Such check may accompany the Official Bid Form or it may be submitted separately. If submitted separately, it shall be made available to the District prior to the review of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as a Good Faith Deposit. The checks of the unsuccessful bidders will be returned immediately after bids are opened and sale of the Bonds has been awarded.

VERIFICATIONS OF STATUTORY REPRESENTATIONS AND COVENANTS: The District will not award the Bonds to a bidder unless the following representations and covenants pursuant to Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended (the "Government Code"), are included in the bid. As used in such verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification through the delivery date of the Bonds shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the Official Bid Form or Official Notice of Sale (collectively, the "Agreement"), notwithstanding anything in the Official Bid Form or Official Notice of Sale to the contrary.

(i) **No Boycott of Israel (Texas Government Code Chapter 2271):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel through the delivery date of the Bonds. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) **Not a Sanctioned Company (Texas Government Code Chapter 2252):** A bidder must represent that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) **No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association through the delivery date of the Bonds. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

(iv) **No Boycott of Energy Companies (Texas Government Code Chapter 2276):** A bidder must verify that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies through the delivery date of the Bonds. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

FURTHER STATE LAW COMPLIANCE AND STANDING LETTER REQUIREMENT: Each prospective bidder must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting a bid, a bidder represents to the District that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. Bidder agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The District will not accept a bid from a bidder that does not have such standing letter on file as of the deadline for bids for the Bonds. If requested by the District, the Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications (defined below), as of the Delivery Date or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

THE DISTRICT RESERVES THE RIGHT, IN ITS SOLE DISCRETION, TO REJECT THE BID OF ANY BIDDER WHO IS, OR WHOSE PARENT COMPANY, SUBSIDIARIES OR AFFILIATES ARE, ON A LIST MAINTAINED BY

THE TEXAS COMPTROLLER OF FINANCIAL COMPANIES BOYCOTTING ENERGY COMPANIES OR DISCRIMINATING AGAINST FIREARM ENTITIES.

BY SUBMITTING A BID, EACH BIDDER AGREES, SHOULD IT BE THE WINNING BIDDER, TO COOPERATE WITH THE DISTRICT AND TAKE ANY ACTION NECESSARY TO FURTHER VERIFY AND CONFIRM COMPLIANCE WITH STATE LAW.

To the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit"). **THE LIABILITY OF THE BIDDER FOR BREACH OF ANY OF THE VERIFICATIONS MADE IN CONNECTION WITH CHAPTERS 2252, 2271, 2274, AND 2276, TEXAS GOVERNMENT CODE, AS AMENDED (COLLECTIVELY, THE "COVERED VERIFICATIONS") SHALL SURVIVE UNTIL BARRED BY THE STATUTE OF LIMITATIONS, AND SHALL NOT BE LIQUIDATED OR OTHERWISE LIMITED BY ANY PROVISION OF THE AGREEMENT. ADDITIONALLY, THE DISTRICT RESERVES AND RETAINS ALL RIGHTS AND REMEDIES AT LAW AND IN EQUITY FOR PURSUIT AND RECOVERY OF DAMAGES, IF ANY, RELATING TO THE COVERED VERIFICATIONS.**

DELIVERY AND ACCOMPANYING DOCUMENTS

INITIAL DELIVERY OF INITIAL BOND: Initial delivery ("Initial Delivery") will be accomplished by the issuance of one initial bond payable in installments (the "Initial Bond"), either in typed or printed form, in the aggregate principal amount of $3,820,000, registered in the name of Cede & Co., on behalf of the Purchaser, manually signed by the President and Secretary or other authorized officer of the Board, or executed by the facsimile signatures of the President and Secretary or other authorized officer of the Board, and approved by the Attorney General of Texas, and registered and manually signed by the Comptroller of Public Accounts of Texas or his or her authorized deputy. Upon delivery of the Initial Bond, the Paying Agent/Registrar shall immediately cancel the Initial Bond and one definitive Bond for each maturity will be registered and delivered only to Cede & Co., in connection with DTC's book-entry-only system. Initial Delivery will be at a corporate trust office of the Paying Agent/Registrar in Austin, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Purchaser will be given six (6) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that Initial Delivery can be made on or about February 20, 2025, and subject to the aforementioned notice it is understood and agreed that the Purchaser will accept delivery of and make payment for the Bonds by 10:00 A.M., CST, on February 20, 2025, or thereafter on the date the Bonds are tendered for delivery, up to and including March 5, 2025. If for any reason the District is unable to make delivery on or before March 5, 2025, then the District shall immediately contact the Purchaser and offer to allow the Purchaser to extend its offer for an additional thirty (30) days. If the Purchaser does not elect to extend its offer within six (6) business days thereafter, then its Good Faith Deposit will be returned, and both the District and the Purchaser shall be relieved of any further obligation.

DTC DEFINITIVE BONDS: The Bonds will be issued in book-entry-only form and registered in the name of Cede & Co. as the nominee for DTC. All references herein and in the Official Statement to the bondholders or registered owners of the Bonds shall mean Cede & Co. and not the beneficial owners of the Bonds. Purchases of beneficial interests in the Bonds will be made in book-entry form in the denomination of $5,000 principal amounts or any integral multiple thereof. Under certain limited circumstances, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for definitive printed obligations of like principal amount.

CUSIP NUMBERS: It is anticipated that CUSIP identification numbers will appear on the Bonds, but neither the failure to print or type such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Purchaser to accept delivery of and pay for the Bonds in accordance with the terms of this Notice of Sale and Bidding Instructions and the terms of the Official Bid Form. The Financial Advisor will obtain CUSIP identification numbers from the CUSIP Service Bureau, New York, New York prior to the date of sale. CUSIP identification numbers will be made available to the Purchaser at the time the Bonds are awarded or as soon thereafter as practicable. All expenses in relation to the assignment, printing or typing of CUSIP numbers on the Bonds shall be paid by the District.

CONDITIONS TO DELIVERY: The obligation to take up and pay for the Bonds is subject to the following conditions: issuance of an approving opinion of the Attorney General of Texas, the Purchaser's receipt of typewritten or printed bonds, the legal opinion of Bond Counsel, and the No-Litigation Certificate, all of which are described herein, and the non-occurrence of the events described below under the caption "No Material Adverse Change." In addition, if the District fails to comply with its obligations described in the Preliminary Official Statement, the Purchaser may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

LEGAL OPINIONS: The District will furnish without cost to the Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are valid and binding obligations of the District, payable from the proceeds of an annual ad valorem tax levied, without limit as to rate or amount, upon all taxable property within the District, and the net revenues of the District's waterworks and sanitary sewer system, and, based upon an examination of such transcript of proceedings, the approving legal opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas ("Bond Counsel"), to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law and the Bonds are not private activity bonds subject to the matters described under "TAX MATTERS" in the Preliminary Official Statement attached hereto.

ESTABLISHING THE ISSUE PRICE FOR THE BONDS: The District intends to rely on Treasury Regulation section 1.148-1(f)(3)(i) (defining "competitive sale" for purposes of establishing the issue price of municipal bonds), which requires, among other things, that the District receive bids from at least three underwriters of municipal bonds who have established industry reputations for underwriting new issuances of municipal bonds (the "Competitive Sale Requirement").

In the event that the bidding process does not satisfy the Competitive Sale Requirement, bids will **not** be subject to cancellation and the winning bidder (i) agrees to promptly report to the District the first prices at which at least 10% of each maturity of the Bonds (the "First Price Maturity") have been sold to the Public on the Sale Date (the "10% Test") and (ii) agrees to hold-the-offering-price of each maturity of the Bonds that does not satisfy the 10% Test ("Hold-the-Price Maturity"), as described below.

In order to provide the District with information that enables it to comply with the establishment of the issue price of the Bonds under the Internal Revenue Code of 1986, as amended, the winning bidder agrees to complete, execute, and timely deliver to the District or to the District's financial advisor (the "District's Financial Advisor") a certification as to the Bonds' "issue price" (the "Issue Price Certificate") substantially in the form and to the effect accompanying this Notice of Sale, within 5 business days of the Closing Date if the Competitive Sale Requirement is satisfied or within 5 business days of the date on which the 10% Test is satisfied with respect to all of the First Price Maturities. In the event the winning bidder will not reoffer any maturity of the Bonds for sale to the Public (as defined herein) by the Closing Date, the Issue Price Certificate may be modified in a manner approved by the District. It will be the responsibility of the winning bidder to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain such facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel (identified in the Preliminary Official Statement).

For purposes of this section of this Notice of Sale:

(i) "Public" means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a Related Party to the Underwriter,

(ii) "Underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public),

(iii) "Related Party" means any two or more persons (including an individual, trust, estate, partnership, association, company, or corporation) that are subject, directly or indirectly, to (i) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and

(iv) "Sale Date" means the date that the Bonds are awarded by the District to the winning bidder.

All actions to be taken by the District under this Notice of Sale to establish the issue price of the Bonds may be taken on behalf of the District by the District's Financial Advisor, and any notice or report to be provided to the District may be provided to the District's Financial Advisor.

The District will consider any bid submitted pursuant to this Notice of Sale to be a firm offer for the purchase of the Bonds, as specified in the bid and, if so stated, in the Official Bid Form.

By submitting a bid, each bidder confirms that: (i) any agreement among underwriters, any selling group agreement and each third-party distribution agreement (to which the bidder is a party) relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter, each dealer who is a member of the selling group, and each broker-dealer that is a party to such third-party distribution agreement, as applicable, (A) to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder that either the 10% Test has been satisfied as to the Bonds of that maturity, (B) to promptly notify the winning bidder of any sales of Bonds that, to its knowledge, are made to a purchaser who is a Related Party to an Underwriter, and (C) to acknowledge that, unless otherwise advised by the underwriter, dealer or broker-dealer, the winning bidder will assume that based on such agreement each order submitted by the underwriter, dealer or broker-dealer is a sale to the Public; and (ii) any agreement among underwriters or selling group agreement relating to the initial sale of the Bonds to the Public, together with the related pricing wires, contains or will contain language obligating each Underwriter that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the Public to require each underwriter or dealer that is a party to such third-party distribution agreement to report the prices at which it sells to the Public the unsold Bonds of each maturity allocated to it until either all such Bonds have been sold or it is notified by the winning bidder or such Underwriter that either the 10% Test has been satisfied as to the Bonds of that maturity. Sales of any Bonds to any person that is a Related Party to an Underwriter shall not constitute sales to the public for purposes of this Notice of Sale.

By submitting a bid, the winning bidder agrees, on behalf of each Underwriter participating in the purchase of the Bonds, that each Underwriter will neither offer nor sell any Hold-the-Price Maturity to any person at a price that is higher than the initial offering price to the Public during the period starting on the Sale Date and ending on the earlier of (1) the close of the fifth (5th) business day after the Sale Date; or (2) the date on which the Underwriters have sold at least 10% of that Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public. The winning bidder shall promptly advise the District when the Underwriters have sold 10% of a Hold-the-Price Maturity to the Public at a price that is no higher than the initial offering price to the Public, if that occurs prior to the close of the fifth (5th) business day after the Sale Date.

NO-LITIGATION CERTIFICATE: With the delivery of the Bonds, the President and Secretary or other authorized officer of the Board will, on behalf of the District, execute and deliver to the Purchaser a certificate dated as of the date of delivery, to the effect that no litigation of any nature of which the District has notice is pending against or, to the best knowledge of the District's certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for authorization, execution, or delivery of the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District, or the title of the then present officers and directors of the Board.

NO MATERIAL ADVERSE CHANGE: The obligations of the District to deliver the Bonds and of the Purchaser to accept delivery of and pay for the Bonds are subject to the condition that to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the conditions of the District from those set forth in or contemplated by the Official Statement, as it may have been supplemented or amended through the date of sale.

GENERAL CONSIDERATIONS

RISK FACTORS: The Bonds involve certain risk factors. Prospective bidders are urged to examine carefully the entire Preliminary Official Statement, made a part hereof, with respect to the investment security of the Bonds. Particular attention should be given to the information set forth therein under the caption "RISK FACTORS."

MUNICIPAL BOND RATING AND INSURANCE: The Bonds and the outstanding debt of the District are rated "A2" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. The District has made an application to qualify the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds. Any rating downgrade of the bond insurance provider after the Bid Opening shall not relieve the Purchaser of its obligation.

RESERVATION OF RIGHTS: The District reserves the right to reject any and all bids and to waive any and all irregularities except time of filing.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement, and the Official Bid Form.

ISSUANCE OF ADDITIONAL DEBT . . . The District does not plan to issue additional tax-supported debt within the next six months.

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

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized municipal securities information repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Bonds as described above. See "DELIVERY AND ACCOMPANYING DOCUMENTS – Conditions to Delivery." The obligation of the District to update or change the Official Statement will terminate on the 25th day after the date that the District delivers the Bonds to the Purchaser, unless the Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all the Bonds have been sold to ultimate customers. In the event the Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

DELIVERY OF OFFICIAL STATEMENTS: The District will furnish Official Statements to the Purchaser (and to each participating member of the underwriting syndicate, if any, of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Purchaser), within seven (7) business days after the sale date. The District will also furnish to the Purchaser a like number of any supplement or amendment prepared by the District for dissemination to potential purchasers of the Bonds as described above as well as such additional copies of the Official Statement or any supplement or amendment as the Purchaser may reasonably request as described above in "GENERAL CONSIDERATIONS – Changes to Official Statement."

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE: The offer and sale of the Bonds has not been registered or qualified under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder; and the Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein, nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated, or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions. By submission of its bid, the Purchaser represents that the sale of the Bonds in states other than the State of Texas will be made pursuant to exemptions from registration or qualification, or where necessary, the Purchaser will register the Bonds in accordance with the securities laws of the state in which the Bonds are offered or sold. The District agrees to cooperate with the Purchaser, at the Purchaser's written request and expense, in registering or qualifying the Bonds or obtaining an exemption from registration or qualification (other than filing a consent to service of process in such state), in any state where such action is necessary.

ADDITIONAL COPIES OF DOCUMENTS: Additional copies of this Official Notice of Sale, the Preliminary Official Statement, and the Official Bid Form may be obtained from the Financial Advisor, Specialized Public Finance Inc., 248 Addie Roy Road, Suite B-103, Austin, Texas 78746.

Dr. Michael Cosimeno
President, Board of Directors
Sonterra Municipal Utility District

THE DATE OF THIS OFFICIAL NOTICE OF SALE IS JANUARY 3, 2025.

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OFFICIAL BID FORM

President and Board of Directors
Sonterra Municipal Utility District
113 Limestone Terrace
Jarrell, Texas 76537

Board Members:

We have read in detail your Official Notice of Sale and accompanying Preliminary Official Statement dated January 3, 2025, relating to the Sonterra Municipal Utility District (the "District") $3,820,000 Unlimited Tax Bonds, Series 2025 (the "Bonds"), as made a part hereof. We realize that the Bonds involve certain investment risks, and we have made inspections and investigations as we deem necessary relating to the District and to the investment quality of the Bonds.

For your legally issued Bonds, in the aggregate principal amount of $3,820,000, we will pay you a price of $_________________________, representing approximately _____________% of the par value. Such Bonds mature August 15, in each of the years and in the amounts and interest rates shown below:

Maturity (August 15)	Principal Amount*	Interest Rate
2025	$ 1,000,000	%
2026	260,000	%
2027	275,000	%
2028	285,000	%
2029	300,000	%
2030	310,000	%
2031	325,000	%
2032	340,000	%
2033	355,000	%
2034	370,000	%

The mandatory sinking fund installments checked above, if any, shall be applied for the redemption of term Bonds maturing as follows:

Term Bond Maturing August 15	Year of First Mandatory Redemption	Principal Amount	Interest Rate
		$	%
		$	%
		$	%
		$	%
		$	%

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

TOTAL INTEREST COST FROM 2/20/2025	$__________________
PLUS DOLLAR AMOUNT OF DISCOUNT	$__________________
NET INTEREST COST	$__________________
NET EFFECTIVE INTEREST RATE	_________________%

*Preliminary, subject to change.

We are having the Bonds insured by _________________________ at a premium of $______________, **said premium to be paid by the Purchaser.** Any fees to be paid to the rating agency as a result of said insurance **will be paid by the District.**

A wire transfer or a cashiers or certified check to the District in the amount of $76,400 will be made available in accordance with the Notice of Sale made a part hereof. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions set forth in the Notice of Sale, the proceeds of this deposit shall be retained by the District as complete liquidated damages against us.

The undersigned agrees to complete, execute, and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

We understand the sale of the Bonds has not been registered under the United States 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 acts of any other jurisdiction. We hereby represent the sale of the Bonds in states or jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the states or other jurisdiction in which the Bonds are offered or sold.

If the undersigned is not exempt from filing the Form 1295, then upon notification of conditional verbal acceptance, the undersigned will complete an electronic form of the Form 1295 through the TEC's electronic portal and the resulting certified Form 1295 that is generated by the TEC's electronic portal will be printed, signed and sent by email to the District's General Counsel at cdean@abaustin.com and Bond Counsel at jbfowler@mphlegal.com. The undersigned understands that the failure to provide the certified Form 1295 will prohibit the District from awarding the enclosed bid.

As used in the following verifications, "affiliate" means an entity that controls, is controlled by, or is under common control with the bidder within the meaning of SEC Rule 405, 17 C.F.R. § 230.405, and exists to make a profit. Liability for breach of any such verification during the term of this agreement shall survive until barred by the applicable statute of limitations, and shall not be liquidated or otherwise limited by any provision of the bid or Notice of Sale and Official Bid Form (collectively, the "Agreement"), notwithstanding anything in the Agreement to the contrary.

(i) <u>No Boycott of Israel Verification (Texas Government Code Chapter 2271).</u> The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott Israel and will not boycott Israel through the delivery date of the Bonds. As used in the foregoing verification, "boycott Israel" has the meaning provided in Section 2271.001, Government Code.

(ii) <u>Not a Sanctioned Company (Texas Government Code Chapter 2252).</u> The Purchaser represents that neither it nor any of its parent company, wholly- or majority-owned subsidiaries, and other affiliates is a company identified on a list prepared and maintained by the Texas Comptroller of Public Accounts under Section 2252.153 or Section 2270.0201, Government Code. The foregoing representation excludes a bidder and each of its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, that the United States government has affirmatively declared to be excluded from its federal sanctions regime relating to Sudan or Iran or any federal sanctions regime relating to a foreign terrorist organization.

(iii) <u>No Boycott of Energy Companies (Texas Government Code Chapter 2276).</u> The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not boycott energy companies and will not boycott energy companies through the delivery date of the Bonds. As used in the foregoing verification, "boycott energy companies" has the meaning provided in Section 2276.001(1), Government Code.

(iv) <u>No Discrimination Against Firearm Entities or Firearm Trade Associations (Texas Government Code Chapter 2274).</u> The Purchaser hereby verifies that it and its parent company, wholly- or majority-owned subsidiaries, and other affiliates, if any, do not have a practice, policy, guidance, or directive that discriminates against a firearm entity or firearm trade association and will not discriminate against a firearm entity or firearm trade association through the delivery date of the Bonds. As used in the foregoing verification, "discriminate against a firearm entity or firearm trade association" has the meaning provided in Section 2274.001(3), Government Code.

By submitting this bid, the Purchaser understands and agrees that if Purchaser should fail or refuse to take up and pay for the Bonds in accordance with this bid, or it is determined that after the acceptance of this bid by the District that the Purchaser was found not to satisfy the requirements described in the Official Notice of Sale and Bidding Instructions under the heading "CONDITIONS OF THE SALE" and as a result the Texas Attorney General will not deliver its approving opinion of the Bonds, then the check submitted herewith as the Purchaser's Good Faith Deposit shall be cashed and accepted by the District. IF THE DISTRICT CASHES THE PURCHASER'S GOOD FAITH DEPOSIT AS DESCRIBED ABOVE, SUCH ACTION DOES NOT CONSTITUTE COMPLETE OR LIQUIDATED DAMAGES RELATED TO THE PURCHASER'S BREACH OF ANY OF THE COVERED VERIFICATIONS.

By submitting this bid, the Purchaser understands and agrees that the liability of the Purchaser for breach of any of the verifications made in connection with Chapters 2252, 2271, 2274, and 2276, Texas Government Code, as amended and as described above (collectively, the

"Covered Verifications") shall survive until barred by the statute of limitations, and shall not be liquidated or otherwise limited by any provision of this Official Bid Form or the Official Notice of Sale. Additionally, the Purchaser acknowledges and agrees that the District reserves and retains all rights and remedies at law and in equity for pursuit and recovery of damages, if any, relating to the Covered Verifications.

By submitting this bid, the Purchaser understands and agrees that it must have a standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office in the form included as Exhibit A to the All Bond Counsel Letter of the Texas Attorney General dated November 1, 2023 and any supplements thereto (the "All Bond Counsel Letter"). In submitting this bid, the Purchaser represents to the District that it has filed a standing letter in the form included as Exhibit A to the All Bond Counsel Letter without qualification and including current statutory citations and it has no reason to believe that the District may not be entitled to rely on the standing letter on file with the Municipal Advisory Council of Texas and the Texas Attorney General's Office. The Purchaser hereby further agrees that it will not rescind its standing letter at any time before the delivery of the Bonds unless same is immediately replaced with a standing letter meeting the requirements of the All Bond Counsel Letter.

The Purchaser agrees to provide such further representations, certifications or assurances in connection with the Covered Verifications, as of the Delivery Date or such other date requested by the District including, but not limited to, a bring down certification as provided by the All Bond Counsel Letter.

The Purchaser acknowledges that the District, in its sole discretion, has reserved the right to reject the bid of any bidder who is, or whose parent company, subsidiaries or affiliates are, on a list maintained by the Texas Comptroller of financial companies boycotting energy companies or discriminating against firearm entities.

The Purchaser understands and agrees that to the extent the Purchaser and each syndicate member listed on the Official Bid Form is unable to provide a Standing Letter in a form satisfactory to the Texas Office of the Attorney General, the District reserves the right to cash and accept the Good Faith Deposit (see "CONDITIONS OF THE SALE – Good Faith Deposit" in the Official Notice of Sale).

NOTWITHSTANDING ANYTHING CONTAINED HEREIN, THE REPRESENTATIONS AND COVENANTS CONTAINED IN THIS OFFICIAL BID FORM SHALL SURVIVE TERMINATION OF THE AGREEMENT OF THE PURCHASER TO PURCHASE THE BONDS UNTIL THE STATUTE OF LIMITATIONS HAS RUN.

The undersigned certifies that it [is]/[is not] exempt from filing the Texas Ethics Commission (the "TEC") Certificate of Interested Parties Form 1295 (the "Form 1295") by virtue of being a publicly traded business entity or a wholly owned subsidiary of a publicly traded business entity.

At the request of the District, the undersigned agrees to execute further written certification as may be necessary or convenient for the District to establish compliance with the foregoing.

We agree to provide in writing the initial reoffering prices and other terms, if any, to the Financial Advisor by the close of the next business day after the award.

Respectfully submitted,

____
Name of Purchaser or Manager

____
Authorized Representative

____
Phone Number

____
Signature

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Sonterra Municipal Utility District, this the 13th day of January, 2025.

ATTEST:

Secretary, Board of Directors Sonterra Municipal Utility District	President, Board of Directors Sonterra Municipal Utility District

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ISSUE PRICE CERTIFICATE

(sales where 3 bids are received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax Bonds, Series 2025 issued by the Sonterra Municipal Utility District ("Issuer") in the aggregate principal amount of $3,820,000 ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) On the first day on which there was a binding contract in writing for the purchase of the Bonds by the Purchaser, the Purchaser's reasonably expected initial offering prices of each maturity of the Bonds with the same credit and payment terms (the "Expected Offering Prices") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter are as set forth in the pricing wire or equivalent communication for the Bonds, as attached to this Certificate as Schedule A. The Expected Offering Prices are the prices for the Bonds used by the Purchaser in formulating its bid to purchase the Bonds.

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

(c) The bid submitted by the Purchaser constituted a firm bid to purchase the Bonds.

(d) The Purchaser [has]/[has not] purchased bond insurance for the Bonds. [The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.]

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

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

EXECUTED and DELIVERED as of this _________________.

_______________________________, as Purchaser

By: _____________________________________

Name:___________________________________

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ISSUE PRICE CERTIFICATE

(sales where 3 bids are <u>not</u> received)

The undersigned, as the underwriter or the manager of the syndicate of underwriters ("Purchaser"), with respect to the purchase at competitive sale of the Unlimited Tax Bonds, Series 2025 issued by the Sonterra Municipal Utility District ("Issuer") in the aggregate principal amount of $3,820,000 ("Bonds"), hereby certifies and represents, based on its records and information, as follows:

(a) Other than the Bonds maturing in ____ ("Hold-the-Price Maturities"), if any, the first prices at which at least ten percent ("Substantial Amount") of the principal amount of each maturity of the Bonds having the same credit and payment terms ("Maturity") was sold on the date of sale of the Bonds (the "Sale Date") to a person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter ("Public") are their respective initial offering prices (the "Initial Offering Prices"), as listed in the pricing wire or equivalent communication for the Bonds that is attached to this Certificate as Schedule A.

(b) On or before the Sale Date, the Purchaser offered to the Public each Maturity of the Hold-the-Price Maturities at their respective Initial Offering Prices, as set forth in Schedule A hereto.

(c) As set forth in the Notice of Sale, the Purchaser agreed in writing to neither offer nor sell any of the Hold-the-Price Maturities to any person at any higher price than the Initial Offering Price for such Hold-the-Price Maturity until the earlier of the close of the fifth business day after the Sale Date or the date on which the Purchaser sells a Substantial Amount of a Hold-the-Price Maturity of the Bonds to the Public at no higher price than the Initial Offering Price for such Hold-the-Price Maturity.

(d) The Purchaser [has]/[has not] purchased bond insurance for the Bonds. [The bond insurance has been purchased from ________________________________ (the "Insurer") for a fee of $_______ (net any nonguarantee cost, e.g., rating agency fees). The amount of such fee is set forth in the Insurer's commitment and does not include any payment for any direct or indirect services other than the transfer of credit risk, unless the compensation for those other services is separately stated, reasonable, and excluded from such fee. Such fee does not exceed a reasonable, arm's-length charge for the transfer of credit risk and it has been paid to a person who is not exempt from federal income taxation and who is not a user or related to the user of any proceeds of the Bonds. The present value of the debt service savings expected to be realized as a result of such insurance exceeds the amount of the fee set forth above. For this purpose, present value is computed using the yield on the Bonds, determined by taking into account the amount of the fee set forth above, as the discount rate. No portion of the fee payable to the Insurer is refundable upon redemption of any of the Bonds in an amount which would exceed the portion of such fee that has not been earned.]

For purposes of this Issue Price Certificate, the term "Underwriter" means (1) (i) a person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, or (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1)(i) of this paragraph (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public) to participate in the initial sale of the Bonds to the Public, and (2) any person who has more than 50% common ownership, directly or indirectly, with a person described in clause (1) of this paragraph.

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

EXECUTED and DELIVERED as of this _________________.

_______________________________, as Purchaser

By:____

Name:______________________________________

SCHEDULE A

PRICING WIRE OR EQUIVALENT COMMUNICATION

(*Attached*)

PRELIMINARY OFFICIAL STATEMENT DATED JANUARY 3, 2025

Rating:
Moody's: "A2"
Insurance: Applied For
See: "MUNICIPAL BOND RATING AND INSURANCE"

NEW ISSUE – BOOK-ENTRY-ONLY

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein, including the alternative minimum tax on certain corporations.

THE BONDS WILL **NOT** BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

$3,820,000
SONTERRA MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)
UNLIMITED TAX BONDS, SERIES 2025

Dated: February 20, 2025 **Due: August 15, as shown on the inside cover page**
Interest to Accrue from the Date of Initial Delivery (defined herein)

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

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

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

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

CUSIP PREFIX: 83569B
MATURITY SCHEDULE
See inside cover page

REDEMPTION PROVISIONS . . . The District reserves the right to redeem, prior to maturity, in integral multiples of $5,000, those Bonds maturing on and after August 15, 2031 in whole or from time to time in part, on August 15, 2030, or on any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Bonds are designated as Term Bonds by the Purchaser (defined herein) of the Bonds. See "THE BONDS – Redemption."

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

DELIVERY . . . Delivery of the Bonds through DTC is expected on February 20, 2025 (the "Date of Initial Delivery").

BIDS DUE MONDAY, JANUARY 13, 2025 BY 9:00 A.M., CST

MATURITY SCHEDULE*

8/15 Maturity	Principal Amount	Interest Rate[(a)]	Initial Yield[(b)]	CUSIP Numbers[(c)]
2025	$ 1,000,000			
2026	260,000			
2027	275,000			
2028	285,000			
2029	300,000			
2030	310,000			
2031	325,000			
2032	340,000			
2033	355,000			
2034	370,000			

(Interest to Accrue from the Date of Initial Delivery)

*Preliminary, subject to change.

(a) After requesting competitive qualifying bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of approximately ________% of par, resulting in a net effective interest rate to the District of ________%.

(b) Initial yield represents the initial offering yield to the public, which has been established by the Purchaser (as herein defined) for offers to the public and which subsequently may be changed.

(c) CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services ("CGS") is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2022 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the District, the Financial Advisor, the Purchaser or their agents or counsel assume responsibility for the accuracy of such numbers. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, as a result of the procurement of secondary market portfolio insurance or other similar enhancements by investors that is applicable to all or a portion of certain maturities of the Bonds.

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

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

This Official Statement does not alone constitute, and is not authorized by the District for use in connection with, an offer to sell or the solicitation of any offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the Financial Advisor, for further information.

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

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

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

SALE AND DISTRIBUTION OF THE BONDS

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

PRICES AND MARKETABILITY . . . The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Purchaser on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker or similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Purchaser. Additionally, there are no assurances that if a secondary market for the Bonds were to develop, that it will not be disrupted by certain events. Consequently, investors may not be able to resell the Bonds purchased should they need or wish to do so for emergency or other purposes.

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

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

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

The statements contained in the Official Statement and in other information provided by the District that are not purely historical are forward-looking statements, including regarding the District's expectations, hopes, intentions or strategies regarding the future. All forward-looking statements included in the Official Statement are based on information available to the District on the date hereof, and the District assumes no obligation to update any such forward-looking statements. See "RISK FACTORS – Forward-Looking Statements."

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

MUNICIPAL BOND RATING AND INSURANCE

The Bonds and the outstanding debt of the District have been rated "A2" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. The District has made an application to qualify the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds.

OFFICIAL STATEMENT SUMMARY

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

THE DISTRICT

Description... The District is a political subdivision of the State of Texas created by a special act of the 79th Regular Session of the Texas Legislature codified as Chapter 8111, Special District Local Laws Code (the "Act"), effective September 1, 2005, and confirmed pursuant to an election held within the District on November 8, 2005. The District's creation was validated by a declaratory judgment of the 277th Judicial District Court of Williamson County, Texas on December 4, 2006. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended. The District consists of approximately 1,300.469[a] acres of land, a portion of which is located within the extraterritorial jurisdiction of the City of Jarrell, Texas (the "City"). See "THE DISTRICT."

Location... The District is located along the eastern boundary of IH-35 and runs south of FM 487 to north of CR 315 near the City, approximately 10 miles north of the City of Georgetown, Texas. See "AERIAL BOUNDARY MAP."

Developers... There are three developers of land within the District: SonWest Co., a Texas corporation ("SonWest"); Starlight Homes Texas L.L.C., a Delaware limited liability company ("Starlight"); and Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership ("Lennar"). RVest LP, a Texas limited partnership ("RVest"), owns land within the District and SonWest purchases property within the District from RVest for development. SonWest and RVest have common ownership and are referred to herein, collectively, as the "Developer." FR Eastwood, LLC, a Delaware limited liability company ("FR Eastwood") purchased 24.071 acres of land from the Developer and entered into an option agreement with Starlight, under which Starlight has the right to acquire the 24.071 acres (or portions thereof) from FR Eastwood for purposes of development and homebuilding. Lennar owns 59.382 acres of land within the District for purposes of development and homebuilding. Starlight and Lennar are referred to herein, collectively, as the "Additional Developers." All land currently owned by the Additional Developers has been developed with utility facilities, such that the Additional Developers activities are now focused on homebuilding. The Developer and the Additional Developers are referred to herein, collectively, as the "Developers." See "THE DISTRICT – History and Status of Development" and "THE DEVELOPERS."

Homebuilders... According to the Developer, there are four (4) homebuilders active within the District: Lennar, Starlight, KB Home and Century Communities. Homes range in price from $200,000 to $400,000, with square footage ranging from approximately 1,200 to 3,000 square feet. See "THE DISTRICT – Homebuilders."

Status of Development... Development of land within the District began in December 2005. The District is presently being developed for single-family residential, multi-family residential and commercial uses. The Developer has financed the design and construction of water, sanitary sewer and drainage facilities to serve 5,246 living unit equivalents ("LUEs") in the District (out of a total of 5,908 LUEs expected to be developed within the District), including commercial and multi-family development. Construction of homes in the District began in February 2006 and, as of December 31, 2023, there were approximately 4,162 completed and occupied single-family homes in the District, 37 homes completed and not occupied, 29 single-family homes in various stages of construction, and 172 vacant lots available for construction. As of December 31, 2023, there were no additional lots under active development. During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. The offering price of new homes in the District ranges from approximately $200,000 to $400,000. See "THE DISTRICT."

(a) On February 20, 2018, the District substituted land as authorized by Sections 54.739-54.747, Texas Water Code, by excluding approximately 250 acres of land then in the District and including approximately 85 acres of land then adjacent to the District. The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded. See "TAX DATA – Substitution of Land in the District."

In addition to the single family residential development described above, the District contains approximately 80 acres of Interstate Highway 35 frontage that is currently developed or proposed to be developed for commercial/retail use. Existing commercial development includes a McDonald's, a Denny's, a Golden Chick, a Burger King, a Pilot truck stop and convenience store, the Mexicano Grill, Anytime Fitness, CEFCO/FIKES Gas C-Store, a Subway Sandwich Shop, and a Taco Bell. Other commercial businesses include a Big Red Barn climate-controlled storage facility, three retail strip centers containing assorted local businesses, and Kids Zone, which operates a child-care facility. The District also contains a Class B apartment complex, Sonterra Apartments, that is comprised of 280 units offering 1, 2 and 3 bedroom townhomes.

Williamson County Emergency Services District No. 5 has completed and operates a 24-hour manned EMS station and fire station and Jarrell Independent School District operates an elementary school adjacent to the boundaries of the District as well as an elementary school within the District.

The District contains approximately 143.7 acres of developable land that have not been provided with water, sanitary sewer, and drainage facilities as of December 31, 2023 (excluding acreage currently under active development). During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. In the opinion of the District's engineers, the remaining authorized but unissued bonds are expected to be sufficient to fund water, sanitary sewer, and drainage services to all areas now within the District. Approximately 27 acres of land in the District is located in drainage easements, rights-of-way, and open space, and is considered undevelopable. See "THE DISTRICT – History and Status of Development."

Payment Record... The District has never defaulted on payment of its debt.

THE BONDS

Description... $3,820,000 Unlimited Tax Bonds, Series 2025 (the "Bonds") are being issued as fully registered bonds pursuant to an order authorizing the issuance of the Bonds to be adopted by the District's Board of Directors (the "Board") on the date of the bid opening. The Bonds are scheduled to mature on August 15 in the years 2025 through 2034. The Bonds will be issued in denominations of $5,000 or integral multiples of $5,000.

Interest on the Bonds accrues from the Date of Initial Delivery and is payable August 15, 2025 and each February 15 and August 15 thereafter, until the earlier of maturity or redemption. See "THE BONDS."

Book-Entry-Only... DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds and will be deposited with DTC.

Redemption... Bonds maturing on and after August 15, 2031, are subject to redemption in whole, or from time to time in part, at the option of the District prior to their maturity dates on August 15, 2030, or on any date thereafter at a price of par value plus unpaid accrued interest from the most recent interest payment date to the date fixed for redemption. The Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Bonds are designated as Term Bonds by the Purchaser. See "THE BONDS – Redemption."

Use of Proceeds... The proceeds of the Bonds will be used to finance certain park and recreational facilities as described herein and to pay other costs associated with the issuance of the Bonds. See "USE AND DISTRIBUTION OF BOND PROCEEDS" and "THE SYSTEM."

Authority for Issuance... The Bonds are the first issuance of park and recreation bonds issued out of an aggregate $15,000,000 principal amount of Unlimited Tax Bonds authorized by the District's voters at an election held on May 1, 2021 for such purposes. At a bond election on May 4, 2024, the District's voters also approved an additional $55,000,000 for park and recreational bonds, all of which remains authorized but unissued. The District has previously issued two series of bonds issued out of an aggregate of $45,000,000 principal amount of Unlimited Tax Bonds authorized by the District's voters at an election held on May 1, 2021 for the purpose of purchasing, constructing, and acquiring a water, wastewater, and/or storm drainage system including contract rights related thereto, of which $35,055,000 remains authorized but unissued. The District has previously issued eleven series of bonds issued out of an aggregate of $71,480,000 principal amount of Unlimited Tax Bonds authorized by the District's voters at an election held on November 8, 2005, all of which voted authority has been issued. The Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality ("TCEQ"); the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 8111 of the Texas Special District Local Laws Code; and general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See "RISK FACTORS – General" and "THE BONDS – Authority for Issuance" and "THE BONDS – Issuance of Additional Debt."

Source of Payment... Principal of and interest on the Bonds are payable from the proceeds of a continuing, direct, annual ad valorem tax, without legal limitation as to rate or amount, levied against taxable property within the District. The gross revenues of the District's waterworks and sanitary sewer system have been pledged to secure (i) the $3,165,000 Lone Star Regional Water Authority Contract Revenue Bonds issued by the Lone Star Regional Water Authority for the District on August 6, 2015 (of which $2,320,000 remains outstanding); (ii) approximately 46.67% of $4,590,000 (approximately $2,142,153) contract revenue bonds issued by the Lone Star Regional Water Authority on December 2, 2015 for a regional project in which the District participates (of which $3,850,000 remains outstanding, of which the District's portion is approximately $1,796,795); (iii) approximately 54.29% of $22,110,000 (approximately $12,003,519) of a Texas Water Development Board State Participation loan issued by the Lone Star Regional Water Authority on December 2, 2015 for a regional project in which the District participates (of which $22,110,000 remains outstanding, of which the District's portion is approximately $12,003,519); and (iv) approximately 46.67% of $1,285,000 (approximately $599,710) contract revenue bonds issued by the Lone Star Regional Water Authority in 2018 for completion of the same regional project in which the District participates (of which, $1,145,000 remains outstanding, of which the District's portion is approximately $534,372). See "THE SYSTEM – Water Supply and Distribution." The Bonds are obligations of the District and are not obligations of the City, Jarrell Independent School District, Williamson County, the State of Texas, or any entity other than the District. See "THE BONDS – Source of Payment" and "PRO-FORMA DEBT SERVICE REQUIREMENTS."

Municipal Bond Rating… The Bonds and the outstanding debt of the District have been rated "A2" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement.

Bond Insurance… An application has been made to qualify the Bonds for municipal bond insurance. In the event the Bonds are qualified for municipal bond insurance, and the Purchaser desires to purchase such insurance, the cost therefor will be paid by the Purchaser. It will be the responsibility of the Purchaser to disclose the existence of insurance, its terms and the effect thereof with respect to the reoffering of the Bonds.

Bond Counsel... McCall, Parkhurst & Horton L.L.P., Austin, Texas. See "MANAGEMENT OF THE DISTRICT," "TAX MATTERS" and "LEGAL MATTERS."

General Counsel... Armbrust & Brown, PLLC, Austin, Texas. See "MANAGEMENT OF THE DISTRICT."

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

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

RISK FACTORS

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

SELECTED FINANCIAL INFORMATION (UNAUDITED)

2022 Certified Taxable Assessed Valuation	$1,040,936,775[a]
2023 Certified Taxable Assessed Valuation	$1,198,165,740[a]
2024 Certified Taxable Assessed Valuation	$1,266,039,396[a]
Gross Direct Debt Outstanding	$ 68,313,313 [b]
Estimated Overlapping Debt	163,792,422 [c]
Gross Direct and Estimated Overlapping Debt	$ 232,105,735
Ratios of Gross Direct Debt to:	
2024 Certified Taxable Assessed Valuation	5.40%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2024 Certified Taxable Assessed Valuation	18.33%
Funds Available:	
Debt Service Fund Balance as of September 9, 2024	$ 5,518,424
General Operating Fund Balance as of September 9, 2024	$14,929,880
Capital Projects Fund Balance as of September 9, 2024	$ 5,332,122
2024 District Tax Rate	$ 0.7035
2024 Tax Rates of Overlapping Entities:	
Williamson County[d]	$ 0.3999
Jarrell Independent School District	1.1692
Williamson County ESD #5	1.0000
2024 Total Overlapping Tax Rate	$ 2.5691
Projected Average Annual Debt Service Requirement (2025-2046)	$ 4,202,898 [b]
Projected Maximum Annual Debt Service Requirement (2025)	$ 5,900,887 [b]
Tax Rates Required to Pay Projected Average Annual Debt Service (2025-2046) at a 95% Collection Rate Based upon 2024 Certified Taxable Assessed Valuation	$ 0.3495
Tax Rates Required to Pay Projected Maximum Annual Debt Service (2025) at a 95% Collection Rate Based upon 2024 Certified Taxable Assessed Valuation	$ 0.4907

Status of Development within the District as of December 31, 2023:

Approximate Total Completed Homes (occupied)	4,162
Homes Completed (unoccupied)	37
Homes Under Construction or Owned by Builder	29
Developed Lots Available for Construction	172
Lots under Active Development	0
Undeveloped but Developable Acreage	143.7
Estimated Population	14,567 [e]

(a) As provided by the Williamson Central Appraisal District (the "Appraisal District" or "WCAD"). On February 20, 2018, the District substituted land as authorized by Sections 54.739-54.747, Texas Water Code, by excluding approximately 250 acres of land then in the District and including approximately 85 acres of land then adjacent to the District. According to the County's Chief Appraiser, the 85 acres of land included in the District had a higher taxable value than the 250 acres of land excluded from the District, which resulted in an increase in the District's taxable appraisal value of $534,647 at the time of the substitution. The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded. See "TAX DATA – Substitution of Land in the District."

(b) Includes the Bonds. Does not include payments to be made pursuant to the Lone Star Contract (as defined herein); such contract payments are treated as an operation and maintenance expense of the District. See "PRO-FORMA DEBT SERVICE REQUIREMENTS," "THE BONDS – Source of Payment" and "THE SYSTEM – Water Supply and Distribution."

(c) See "PRO-FORMA DEBT SERVICE REQUIREMENTS – Estimated Overlapping Debt."

(d) Includes Williamson County's road and bridge fund tax.

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

PRELIMINARY OFFICIAL STATEMENT

$3,820,000
SONTERRA MUNICIPAL UTILITY DISTRICT
(A political subdivision of the State of Texas located within Williamson County)
UNLIMITED TAX BONDS, SERIES 2025

This Official Statement provides certain information in connection with the issuance by Sonterra Municipal Utility District (the "District") of its $3,820,000 Unlimited Tax Bonds, Series 2025 (the "Bonds").

The Bonds are issued pursuant to the Texas Constitution, the general laws of the State of Texas (the "State"), an order authorizing the issuance of the Bonds (the "Bond Order") to be adopted by the Board of Directors of the District (the "Board"), an order of the Texas Commission on Environmental Quality (the "TCEQ") dated December 6, 2024, and an election held within the District on May 1, 2021.

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

RISK FACTORS

GENERAL . . . The Bonds are obligations solely of the District and are not obligations of the City of Jarrell (the "City"), Jarrell Independent School District, Williamson County, the State of Texas, or any entity other than the District. Payment of the principal of and interest on the Bonds depends upon the ability of the District to collect taxes levied on taxable property within the District in an amount sufficient to service the District's bonded debt or, in the event of foreclosure, on the value of the taxable property in the District and the taxes levied by the District and other taxing authorities upon the property within the District. The Bonds are also payable from the net revenues of the District's waterworks and sanitary sewer system. See "THE BONDS – Source of Payment." The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of taxable property within the District will accumulate or maintain taxable values sufficient to justify continued payment of taxes by property owners or that there will be a market for the property or that owners of the property will have the ability to pay taxes. See "– Bankruptcy Limitation to Registered Owners' Remedies" below.

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

Interest rates and the availability of mortgage and development funding have a direct impact on the construction activity, particularly short-term interest rates at which the 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, the District is unable to assess the future availability of such funds for continued construction within the District. In addition, although located approximately 10 miles north of the City of Georgetown, Texas, the success of development within the District and growth of District taxable property values are, to a great extent, a function of the Austin metropolitan and regional economies. See "– Regional Economics" below.

Regional Economics: The District is located along the eastern boundary of IH-35 and runs south of FM 487 to north of CR 315 near the City, approximately 10 miles north of the City of Georgetown, Texas. See "– Maximum Impact on District Tax Rates" below.

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

The competitive position of the Developers in the sale of developed lots and of home builders in the construction of single-family residential houses within the District is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The

District can give no assurance that additional building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

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

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

BOND INSURANCE RISKS . . . The District has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The purchase of bond insurance, if available, will be at the option and expense of the Purchaser. If a bond insurance policy is purchased by the Purchaser, provided below are risk factors relating to bond insurance.

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

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

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received by the Paying Agent pursuant to the Bond Order. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds.

If insurance is purchased on the Bonds, the long-term ratings on the Bonds will be dependent in part on the financial strength of the Bond Insurer and its ability to pay claims which is predicated upon a number of factors that could change over time. No assurance is given that the long-term ratings of the Bond Insurer and the ratings on any Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and, in an event of default by the Bond Insurer, the remedies available to the Paying Agent may be limited by applicable bankruptcy law or other similar laws related to insolvency. No independent investigation into the ability of the Bond Insurer to pay claims has been made and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given.

MAXIMUM IMPACT ON DISTRICT TAX RATES . . . Assuming no further development, the value of the land and improvements currently existing within the District will be the major determinant of the ability or willingness of owners of property within the District to pay their taxes. The 2024 Certified Taxable Assessed Valuation is $1,266,039,396. After issuance of the Bonds, the estimated maximum debt service requirement will be $5,900,887 (2025), and the estimated average annual debt service requirement will be $4,202,898 (2025-2046, inclusive). Assuming no increase or decrease from the 2024 Certified Taxable Assessed Valuation, the issuance of no additional debt, and no other funds available for the payment of debt service, tax rates of $0.4907 and $0.3495 per $100 appraised valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum debt service requirement and the average annual debt service requirement, respectively.

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

DEPENDENCE ON MAJOR TAXPAYERS AND THE DEVELOPER . . . The ten principal taxpayers represent $90,387,227 or 7.14% of the District's 2024 Certified Taxable Assessed Valuation of $1,266,039,396. The Developer represents $13,128,284 or 1.04% of such value. If the Developers and other principal taxpayers were to default in the payment of taxes in an amount which exceeds the

District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations and Foreclosure Remedies" in this section, "TAX DATA – Principal Taxpayers," and "TAXING PROCEDURES – Levy and Collection of Taxes."

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

UNDEVELOPED ACREAGE . . . All but approximately 143.7 acres of the developable land within the District has been provided with water, wastewater, and storm drainage and detention facilities as of December 31, 2023 (excluding acreage currently under active development). During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. In the opinion of the District's engineers, the remaining authorized but unissued bonds are expected to be sufficient to fund water, sanitary sewer, and drainage services to all areas now within the District. See "THE DISTRICT – History and Status of Development."

DEVELOPMENT AND HOME CONSTRUCTION IN THE DISTRICT . . . As of December 31, 2023, approximately 172 developed lots within the District were available for home construction, with 0 lots currently under active development. Failure of the Developer (or any subsequent developer) to develop lots and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax-supported debt of the District previously issued or issued in the future. Future increases in value will result primarily from the construction of homes by builders. See "– Maximum Impact on District Tax Rates" above.

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

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

BANKRUPTCY LIMITATION TO REGISTERED OWNERS' REMEDIES . . . The enforceability of the rights and remedies of registered owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the Federal Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of registered owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District as discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, entered an order granting relief from the stay or otherwise allowed creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (i) is specifically authorized to file for federal bankruptcy protection by applicable state law, (ii) is insolvent or unable to meet its debts as they mature, (iii) desires to effect a plan to adjust such debts, and (iv) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under State law, a water, sewer, irrigation and drainage district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code. The TCEQ is required to investigate the financial condition of a financially troubled district and authorize such district to proceed under federal bankruptcy law only if such district has fully exercised its rights and powers under State law and remains unable to meet its debts and other obligations as they mature.

Notwithstanding noncompliance by a district with State law requirements, a district could file a voluntary bankruptcy petition under Chapter 9, thereby involving the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the registered owners could potentially and adversely impair the value of the registered owner's claim.

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

<u>A district may not be forced into bankruptcy involuntarily.</u>

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

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

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

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

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

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

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

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

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

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

Pursuant to the Safe Drinking Water Act ("SDWA") and the EPA's National Primary Drinking Water Regulations ("NPDWRs"), which are implemented by the TCEQ's Water Supply Division, potable (drinking) water provided by a Utility District to more than twenty-five (25) people or fifteen (15) service connections is subject to extensive federal and state regulation as a public water supply system, which includes, among other requirements, frequent sampling and analyses. Utility District's must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency's rules. Additional or more stringent regulations or requirements pertaining to these and other drinking water contaminants in the future could require installation of more costly treatment facilities.

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

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

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Clean Water Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormwater systems. The District may also be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

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

STORM WATER . . . Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the Clean Water Act and regulations implementing the Act. The TCEQ adopted by reference the vast majority of the EPA regulations relating to stormwater discharges and currently has issued a general permit for stormwater discharges associated with industrial activities and recently proposed two general permits for stormwater discharges associated with construction activities and municipal separate stormsewer systems. The District may potentially be subject to stormwater discharge permitting requirements under each of these general permitting programs. Moreover, the District may be required to develop and implement stormwater pollution prevention plans and stormwater management plans. The District could incur substantial costs to develop and implement such plans and in connection with the installation or performance of best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff. Failure to comply with these requirements may result in the imposition of administrative, civil, and criminal penalties as well as injunctive relief under the Clean Water Act or the Texas Water Code.

The National Weather Service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Within Texas, the Atlas 14 study showed an increased number of rainfall events in a band extending from the upper Gulf Coast in the east and running west generally along the I-10 corridor to Central Texas. Based on this study, various governmental entities, including Williamson County, are contemplating amendments to their regulations that will potentially increase the size of the 100 year floodplain and will also increase the size of detention ponds and drainage facilities required for future construction in all areas (not just in the floodplain).

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

CONTINUING COMPLIANCE WITH CERTAIN COVENANTS . . . Failure of the District to comply with certain covenants contained in the Bond Order on a continuing basis prior to the maturity of the Bonds could result in interest on the Bonds becoming taxable retroactive to the date of original issuance. See “TAX MATTERS.”

WASTEWATER TREATMENT ISSUES . . . The District and the City have entered into an “Agreement for Wholesale Wastewater Service (Sonterra MUD)” dated effective as of December 23, 2008 (as amended, the “Wastewater Contract”) under which the District receives wholesale wastewater treatment services from the City. As discussed more fully herein, the City has experienced engineering and operations issues and permit violations, along with general design and construction delays in completing expansions to the City’s Donahoe Creek WWTP. The TCEQ issued several Notices of Violation to the City in regards to hydraulic capacity and water quality concerns; although, according to the City, enforcement action by TCEQ was not pursued. Although no assurances can be given that additional Notices of Violation will not be issued by TCEQ, or that enforcement action will not be taken by TCEQ, the City has represented that it has adequately addressed such issues and violations. For a more complete discussion of the wastewater treatment issues, see “THE DISTRICT – Future Development,” and THE SYSTEM – Wastewater Treatment Matters.”

Additionally, development within the District and the City has exceeded original expectations. Currently anticipated development within the District could exceed the City’s currently available wastewater treatment capacity. Although the City, the Developer and the District have been working to remedy wastewater capacity issues, the District can make no representation or provide any assurances that the City’s wastewater treatment capacity expansions will be sufficient to accommodate currently anticipated future development. If the City’s wastewater treatment capacity is unable to accommodate currently anticipated development within the District, it could have an adverse effect on growth within the District and future development within the District could be delayed. For a more complete discussion of the wastewater treatment issues, see “THE DISTRICT – Future Development,” and THE SYSTEM – Wastewater Treatment Matters.”

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

OVERLAPPING AND COMBINED TAX RATES . . . The overlapping tax rate for the District reflects a composite overlapping tax rate, including the District’s debt service and maintenance taxes, of $2.5389 per $100 of assessed valuation. A maximum District debt service tax rate of $0.4907 per $100 of assessed valuation (95% collection rate) would be required if no further growth were to occur within the District. See "PRO-FORMA DEBT SERVICE REQUIREMENTS – Overlapping Taxes." However, the tax rate that may be required to service debt on any bonds issued by the District is subject to numerous uncertainties such as the growth of taxable values within the boundaries of the District, the amount of direct unlimited tax and revenue bonds (or unlimited tax bonds) issued by the District, regulatory approvals, construction costs, and interest rates. There can be no assurance that composite tax rates imposed by overlapping jurisdictions on property within the District will be competitive with the tax rates of competing projects in the Austin metropolitan area. To the extent that such composite tax rates are not competitive with competing developments, the growth of property tax values within the District and the investment quality or security of the Bonds could be adversely affected.

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

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

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

Neither the Developers nor their subsidiaries or affiliates, if any, are obligated to pay principal of and interest on the Bonds. See "THE DEVELOPERS." Furthermore, the Developers have no binding commitment to the District to carry out any plan of development in the District, and the furnishing of information related to proposed development by a developer should not be interpreted as such a commitment. After issuance of the Bonds, the Developers will not be owed any additional funds for facilities eligible for reimbursement.

DEMAND FOR AND FLUCTUATION OF ASSESSED VALUATION OF HOUSING PRODUCTS . . . As reflected in "THE DISTRICT – Homebuilders" herein, the housing product completed and currently planned for portions of the District consists of single-family homes with anticipated prices ranging from approximately $200,000 to $400,000.

FUTURE DEBT . . . ***District Debt:*** As of December 31, 2023, all but 143.7 acres of the developable 1,242 acres of land within the District have been developed with utility facilities by the Developer (excluding acreage currently under active development). During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. Additional bond issuance is anticipated in the future in connection with future development.

The District is authorized by statute to develop parks and recreational facilities, including the issuance of bonds payable from taxes for such purpose. The Bonds are the first issuance of park and recreation bonds issued out of an aggregate amount of $70,000,000 principal amount of unlimited tax bonds for park and recreation purposes, $15,000,000 of which was authorized by the voters of the District at a May 1, 2021 bond election, and $55,000,000 of which was authorized by the voters of the District at a May 4, 2024 bond election. After the issuance of the Bonds, the District will have $66,180,000 of authorized but unissued bonds for park and recreational purposes. See "THE DISTRICT – Judicial Proceedings" for information concerning a proposition approved by voters in the District at an election on November 8, 2005, authorizing the issuance of bonds for recreational facilities, which was declared invalid pursuant to the declaratory judgment described therein.

GOVERNMENTAL APPROVAL . . . As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF BOND PROCEEDS." The TCEQ approved the issuance of the Bonds by an order issued on December 6, 2024. In addition, the Attorney General of Texas must approve the legality of the Bonds prior to their delivery.

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

NO REQUIREMENT TO BUILD ON DEVELOPED LOTS . . . There is currently no requirement that individuals or other purchasers of developed lots within the District commence or complete construction of improvements within any particular time period. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable value in the District.

HOUSING MARKET VOLATILITY AND RECENT FORECLOSURES . . . Since the downturn in the housing market in 2008, many areas were negatively affected by a weakening national economy that led to foreclosures on single family homes, particularly related to subprime mortgages. As of November 1, 2024, there were 8 properties in the District posted for sale due to foreclosure according to the Williamson County Clerk. No assurance can be given that foreclosures will not increase or that housing market conditions will remain stable.

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

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

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

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

THE BONDS

DESCRIPTION . . . The Bonds will be dated February 20, 2025. Interest will accrue from the Date of Initial Delivery of the Bonds, be payable each August 15 and February 15 until maturity or prior redemption, beginning August 15, 2025 (each an "Interest Payment Date"), and will mature on the dates and in the amounts shown on the inside cover page hereof. Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds are issued in fully registered form, in denominations of $5,000 or any integral multiple of $5,000.

BOOK-ENTRY-ONLY SYSTEM . . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable but takes no responsibility for the accuracy or completeness thereof.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly

(“Indirect Participants”). DTC has a Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

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

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

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the District believes to be reliable, but neither the District nor the Purchasers take any responsibility for the accuracy thereof.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (“Record Date”) for the interest payable on the Bonds on any interest payment date means the close of business on the last day of the preceding month (whether or not a business day).

In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a “Special Record Date”) will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest (“Special Payment Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

SOURCE OF PAYMENT . . . While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. Although not security for the Bonds, the District's waterworks and sanitary sewer system have been pledged to secure (i) the $3,165,000 Lone Star Regional Water Authority Contract Revenue Bonds issued by the Lone Star Regional Water Authority for the District on August 6, 2015 (of which $2,320,000 remains outstanding); (ii) approximately 46.67% of $4,590,000 (approximately $2,142,153) contract revenue bonds issued by the Lone Star Regional Water Authority on December 2, 2015 for a regional project in which the District participates (of which $3,850,000 remains outstanding, of which, the District's portion is approximately $1,796,795); (iii) approximately 54.29% of $22,110,000 (approximately $12,003,519) of a Texas Water Development Board State Participation loan issued by the Lone Star Regional Water Authority on December 2, 2015 for a regional project in which the District participates (of which $22,110,000 remains outstanding, of which the District's portion is approximately $12,003,519), and (iv) approximately 46.67% of $1,285,000 (approximately $599,710) contract revenue bonds issued by the Lone Star Regional Water Authority in 2018 for completion of the same regional project in which the District participates (of which, $1,145,000 remains outstanding, of which the District's portion is approximately $534,372). See "THE SYSTEM – Water Supply and Distribution" and "PRO-FORMA DEBT SERVICE REQUIREMENTS." In the Bond Order, the District covenants that said debt service taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

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

FUNDS . . . The Bond Order creates or confirms the establishment and maintenance by the District of a Waterworks and Sanitary Sewer System Fund (or Operating Fund), Debt Service Fund, and a Capital Projects Fund.

Each fund will be kept separate and apart from all other funds of the District. The Debt Service Fund will constitute a trust fund which will be held in trust for the benefit of the holders of the Bonds.

Any cash balance in any fund must be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of municipal utility districts having an aggregate market value, exclusive of accrued interest, at all times equal to the cash balance in the fund to which such securities are pledged.

DEBT SERVICE FUND . . . The Bond Order creates or confirms the establishment the Debt Service Fund to be used to pay principal and interest on and Paying Agent/Registrar fees in respect to the Bonds. The Bond Order requires that the District deposit to the credit of the Debt Service Fund (i) from the delivery of the Bonds to the Purchaser, accrued on the Bonds, if any, the amount received from proceeds of the Bonds representing capitalized interest on the Bonds, if any, (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service accrued interest or requirements on (or fees and expenses of the Paying Agent/Registrar with respect of) the Bonds, and (iii) such other funds as the Board shall, at its option, deem advisable. The Bond Order requires that the Debt Service Fund be applied solely to provide for the payment of the principal or redemption price of and interest on the Bonds when due, and to pay fees to the Paying Agent/Registrar when due.

CAPITAL PROJECTS FUND . . . The Capital Projects Fund is the capital improvements fund of the District. The Bond Order requires the District to deposit to the credit of the Capital Projects Fund the balance of the proceeds of the Bonds remaining after the deposits to the Debt Service Fund provided in the Bond Order. The Capital Projects Fund may be applied solely to (i) pay the costs necessary or appropriate to accomplish the purposes for which the Bonds are issued, (ii) pay the costs of issuing the Bonds and (iii) to the extent the proceeds of the Bonds and investment income attributable thereto are in excess of the amounts required to acquire and construct water, wastewater and drainage facilities as well as park and recreational facilities as approved by TCEQ, then in the discretion of the District, to transfer such unexpended proceeds or income to the Debt Service Fund or as otherwise authorized by the TCEQ.

REDEMPTION . . . The District reserves the right, at its option, to redeem the Bonds maturing on and after August 15, 2031, prior to their scheduled maturities, in whole or in part, in integral multiples of $5,000 on August 15, 2030, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Bonds may also be subject to mandatory sinking fund redemption if certain maturities of the Bonds are designated as term Bonds by the Purchaser.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the District shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL

BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CURENT INTEREST BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the District, so long as a Book-Entry-Only System is used for the Bonds will send any notice of redemption, notice of proposed amendment to the Bond Order or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bond called for redemption or any other action premised or any such notice.

Redemption of portions of the Bonds by the District will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Bond held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bond from the beneficial owners. Any such selection of Bonds to be redeemed will not be governed by the Bond Order and will not be conducted by the District or the Paying Agent/Registrar. Neither the District nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption. See "Book-Entry-Only System" herein.

With respect to any optional redemption of the Bonds unless certain prerequisites to such redemption required by the Bond Order has been met and money sufficient to pay the principal of and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the District will not redeem such Bonds and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

AUTHORITY FOR ISSUANCE . . . At a bond election held within the District on May 1, 2021, the voters of the District authorized the issuance of $15,000,000 principal amount of unlimited tax bonds for park and recreational purposes, all of which remains authorized but unissued. Additionally, at a bond election held within the District on May 4, 2024, the voters of the District authorized the issuance of an additional $55,000,000 principal amount of unlimited tax bonds for park and recreational purposes, all of which remains authorized but unissued. See "Issuance of Additional Debt" below and "THE DISTRICT – Judicial Proceedings."

The TCEQ has authorized the District to sell the Bonds subject to certain restrictions, including the use of Bond proceeds as summarized in "USE AND DISTRIBUTION OF BOND PROCEEDS" and recommended, among other things, the levy of a debt service tax rate of at least $0.6250 per $100 of appraised valuation in the initial year after the issuance of the Bonds, which is expected to be the 2025 fiscal year, assuming no growth in assessed values.

The Bonds are issued by the District pursuant to an order of the TCEQ; the terms and conditions of the Bond Order; Article XVI, Section 59 of the Texas Constitution; Chapter 8111, Texas Special Districts Local Laws Code, Chapters 49 and 54 of the Texas Water Code, as amended; and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State.

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

REGISTRATION AND TRANSFER . . . So long as any Bonds remain outstanding, the Paying Agent/Registrar shall keep the Register at its principal payment office and, subject to such reasonable regulations as it may prescribe, the Paying Agent/Registrar shall provide for the registration and transfer of Bonds in accordance with the terms of the Bond Order.

In the event the book-entry-only system should be discontinued, each Bond shall be transferable only upon the presentation and surrender of such Bond at the principal payment office of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the registered owner or his authorized representative in form satisfactory to the Paying Agent/Registrar. Upon due presentation of any Bond in proper form for transfer, the Paying Agent/Registrar has been directed by the District to authenticate and deliver in exchange therefor, within three (3) business days after such presentation, a new Bond or Bonds, registered in the name of the transferee or transferees, in authorized denominations and of the same maturity and aggregate principal amount and paying interest at the same rate as the Bond or Bonds so presented.

All Bonds shall be exchangeable upon presentation and surrender thereof at the principal payment office of the Paying Agent/Registrar for a Bond or Bonds of the same maturity and interest rate and in any authorized denomination in an aggregate amount equal to the unpaid principal amount of the Bond or Bonds presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver exchange Bonds. Each Bond delivered shall be entitled to the benefits and security of the Bond Order to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

Neither the District nor the Paying Agent/Registrar shall be required to transfer or to exchange any Bond during the period beginning on a Record Date and ending the next succeeding Interest Payment Date or to transfer or exchange any Bond called for redemption during the thirty (30) day period prior to the date fixed for redemption of such Bond.

The District or the Paying Agent/Registrar may require the registered owner of any Bond to pay a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with the transfer or exchange of such Bond. Any fee or charge of the Paying Agent/Registrar for such transfer or exchange shall be paid by the District.

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 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.

ISSUANCE OF ADDITIONAL DEBT . . . The Bonds are the first issuance of park and recreation bonds issued out of an aggregate amount of $70,000,000 principal amount of unlimited tax bonds for park and recreation purposes, $15,000,000 of which was authorized by the voters of the District at a May 1, 2021 bond election, and $55,000,000 of which was authorized by the voters of the District at a May 4, 2024 bond election. After the issuance of the Bonds, the District will have $66,180,000 of authorized but unissued bonds for park and recreational purposes. See "THE DISTRICT – Judicial Proceedings" for information concerning a proposition approved by voters in the District at an election on November 8, 2005, authorizing the issuance of bonds for recreational facilities, which was declared invalid pursuant to the declaratory judgment described therein.

With the approval of the TCEQ, the District may issue additional ad valorem tax bonds and long-term revenue bonds and notes to finance improvements and facilities consistent with the purposes for which the District was created. See "THE DISTRICT – General." The District's voters have authorized the issuance of $71,480,000 principal amount of unlimited tax and revenue new money bonds, all of which has been used by the District's first eleven bond issues, and an additional $45,000,000 principal amount of unlimited tax bonds, for the purpose of constructing and/or acquiring a waterworks, sanitary sewer, and storm sewer system, of which $35,055,000 remains authorized but unissued. In addition, voters in the District could authorize additional amounts for such purpose in the future.

The Bond Order imposes no limitation on the amount of additional bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District.

FIRE-FIGHTING ACTIVITIES . . . The District is also authorized by statute to engage in fire-fighting activities, including the issuance 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) authorization of a detailed master plan and bonds for such purpose by the qualified voters in the District; (b) approval of the master plan and issuance of bonds by the TCEQ; and (c) approval of 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. Issuance of bonds for firefighting purposes could dilute the investment security for the Bonds or any additional bonds issued by the District.

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.

ANNEXATION . . . The District is located partially in the City's limited-purpose annexation area, partially within the extraterritorial jurisdiction of the City, and partially outside the extraterritorial jurisdiction and/or incorporated limits of any municipality. State law provides that a city may not annex land that is located in a district unless it annexes the entire part of the district that is located outside of the City's boundaries; however, there is an exception for a district that is located in the extraterritorial jurisdiction of more than one city.

The original SPA, which has a term ending June 23, 2039, includes a section entitled, "No Full Purpose Annexation During Term of Agreement," that provides that, after the term of the original SPA, the City may either enter into a new strategic partnership agreement with the District, annex the District for full purposes, or allow the original SPA to expire. The original SPA also provides that any attempt by the City to annex the District for full purposes during the term of the original SPA will be a material breach of the original SPA. If the City elected to annex the entire District, the City would assume all of the District's assets and outstanding obligations, including the Bonds, and the District would be dissolved. Except as provided in the original SPA, the District has no control over the City's annexation plans and can make no prediction regarding the likelihood or timing of annexation of the District, nor the City's ability to make debt service payments on the Bonds if it were to annex the District.

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

LEGAL INVESTMENT AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . . Pursuant to §49.186, Texas Water Code, the Bonds, whether rated or unrated, are (a) legal investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and trustees and (b) legal investments for the public funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Bonds are also eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, to secure deposits of public funds of the State or any political subdivision or public agency of the State and are lawful and sufficient security for those deposits to the extent of their market value. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose other, more stringent requirements in order for the Bonds to be legal investments for such entity's funds or to be eligible to serve as collateral for their funds.

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

DEFEASANCE . . . *General* . . . The Bond Order provides for the defeasance of the Bonds and the termination of the pledge of taxes and all other general defeasance covenants in the Bond Order under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Obligation") within the meaning of the Bond Order, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the District to retain the right to call Defeased Obligations to be paid at maturity, when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption or the establishment of irrevocable provisions for the giving of such notice) or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible trust company or commercial bank for such payment (1) lawful money of the United States of America sufficient to make such payment, (2) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of its services until after all Defeased Obligations shall have become due and payable or (3) any combination of (1) and (2). At such time as a Bond shall be deemed to be a Defeased Obligation, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied as provided in the Bond Order, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (ii) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given or the establishment of irrevocable provisions for the giving of such notice, in accordance with the Bond Order. Any money so deposited with the Paying Agent/Registrar or an eligible trust company or commercial bank may at the discretion of the Board of Directors also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Bond Order, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Board of Directors.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Bond Order for the payment of principal of the Bonds and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Bonds and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Obligations shall have become due and payable, the Paying Agent/Registrar shall perform the services of Registrar for such Defeased Obligations the same as if they had not been defeased, and the District shall make proper arrangements to provide and pay for such services as required by the Bond Order.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Bonds and such Bonds shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Bond Order shall be made without the consent of the registered owner of each Bond affected thereby.

Retention of Rights. To the extent that, upon the defeasance of any Defeased Obligation to be paid at its maturity, the District retains the right under Texas law to later call that Defeased Obligation for redemption in accordance with the provisions of the Bond Order, the District may call such Defeased Obligation for redemption upon complying with the provisions of Texas law and upon the satisfaction of the provisions set forth above regarding such Defeased Obligation as though it was being defeased at the time of the exercise of the option to redeem the Defeased Obligation and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Obligation.

Investments. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Defeased Obligations may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the Board of Directors.

For the purposes of these provisions, “Defeasance Securities” means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for the funding of an escrow to effect the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm no less than “AAA” or its equivalent. For the purposes of these provisions, “Federal Securities” means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

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USE AND DISTRIBUTION OF BOND PROCEEDS

Proceeds from the sale of the Bonds will be used to reimburse the Developer for costs incurred to reimburse the Developer for certain park and recreational facility costs, land acquisition costs, and to pay costs of issuance of the Bonds. The construction costs below are either actual costs incurred by the Developer in the construction of the Improvements, and related expenses or based on an independent appraisal of the improvements. Non-construction costs are based upon either contract amounts or estimates of various costs by the Financial Advisor. The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and review by the District's auditor.

		Amount
I.	**CONSTRUCTION COSTS**	
A.	Developer Contribution Items – None	
B.	District Items	
1.	Splash Pad, Park, and Playground Improvements	$ 1,284,760
2.	Basketball Court and Restroom	740,114
3.	Bike Trail, Pump Track, and Skate Park	405,900
4.	Granite Trail Phase 1	125,528
5.	Landscaping and Plants	216,839
6.	Fences, Walls, and Columns	427,190
7.	Engineering (6.6% of Items 4-6)	50,828
8.	Service and Meter Racks, Lighting, and Boulders	50,327
9.	Land Cost – Recreation Areas	56,983
10.	2024-2030 Parks Master Plan	36,441
	Total Construction Costs (88.87% of BIR)	**$ 3,394,910**
II.	**NON-CONSTRUCTION COSTS**	
A.	Legal Fees (3.00%)	$ 114,600
B.	Financial Advisor Fees (2.00%)	76,400
C.	Interest Costs	0
D.	Bond Discount (3.00%)	114,600
E.	Bond Issuance Expenses	64,120
F.	Bond Application Report Costs	42,000
G.	Attorney General Fee	3,820
H.	TCEQ Bond Issuance Fee (0.25%)	9,550
	Total Non-Construction Costs	**$ 425,090**
	TOTAL BOND ISSUE REQUIREMENT ("BIR")	**$ 3,820,000**

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THE DISTRICT

GENERAL . . . The District is a political subdivision of the State of Texas created by a special act of the 79th Regular Session of the Texas Legislature, Chapter 8111, Subchapter F, Title 6, Special District Local Laws Code, as amended (the "Act"), effective September 1, 2005) and confirmed pursuant to an election held within the District on November 8, 2005. The District's creation was validated by declaratory judgment of the 277th Judicial District Court of Williamson County, Texas on December 4, 2006. The District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended.

The District is located along the eastern boundary of IH-35 and runs south of FM 487 to north of CR 315 near the City, approximately 10 miles north of the City of Georgetown, Texas. See "AERIAL BOUNDARY MAP." The District consists of approximately 1,300.469 acres of land, a portion of which is located within the extraterritorial jurisdiction of the City.

On February 20, 2018, the District substituted land as authorized by Sections 54.739-54.747, Texas Water Code, by excluding approximately 250 acres of land then in the District and including approximately 85 acres of land then adjacent to the District. The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded. See "TAX DATA – Substitution of Land in the 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; and the control and diversion of storm water. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, if approved by the City, the TCEQ and the voters of the District.

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

According to the Developer, the homebuilders within the District are currently constructing homes in the District which range in size from approximately 1,200 to 3,000 square feet of living area and range in sales price from approximately $200,000 to $400,000. See "– Homebuilders" below.

In addition to single-family, multi-family, and commercial development, the District includes a community center with a swimming pool that is leased to and operated by the District and several small parks.

JUDICIAL PROCEEDINGS . . . On December 4, 2006, the District Court for the 277th Judicial District in Williamson County, Texas, issued a declaratory judgment pursuant to Chapter 1205, Texas Government Code, as amended (the "Confirmation Judgment"), which upheld the legality and validity of the Act and confirmed the legality and validity of the District's creation. The judgment also confirmed (i) the legality and validity of the election proceedings for the November 8, 2005 election in the District that confirmed the District's creation, provided for the election of the District's initial board of directors, authorized the issuance of up to $71,480,000 of unlimited tax and revenue bonds for water, sewer and drainage purposes, and authorized the levy and collection of an operation and maintenance tax; and (ii) the legality and validity of an order adopted by the District on November 2, 2006 rescinding certain actions taken by the District to effect the division of the District into separate municipal utility districts.

LITIGATION . . . The District is not a party to any lawsuits at the present time.

HISTORY AND STATUS OF DEVELOPMENT . . . Development of land within the District began in December 2005. The District is presently being developed for single-family residential, multi-family residential and commercial uses. Sonterra Development LLC (the "Prior Developer") and the Developer have financed the design and construction of water, sanitary sewer and drainage facilities to serve approximately 5,246 living unit equivalents ("LUEs") in the District (out of a total of 5,908 LUEs expected to be developed within the District) and construction of underground utilities and street paving is complete in these portions of the District. Construction of homes in the District began in February 2006, and, as of December 31, 2023, there were approximately 4,162 completed and occupied single-family homes in the District, 37 homes completed and not occupied, 29 single-family homes in various stages of construction, and 172 vacant lots available for construction. As of December 31, 2023, there were 0 additional lots under active development. During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. New homes in the District range in offering prices from approximately $200,000 to $400,000.

In October 2021, the Developer sold 59.382 acres of land within the District to Lennar, who has developed such land, and is now building and selling single-family residences on the land. In addition, in November 2021, the Developer sold 24.071 acres of land within the District to FR Eastwood, which land has been developed by Starlight, who, pursuant to an option agreement with FR Eastwood, has the right to acquire the 24.071 acres (or portions thereof) from FR Eastwood for development and homebuilding purposes. Starlight is currently in the process of building and selling single-family residences on the 24.071 acres.

In addition to the residential development described above, the District contains approximately 80 acres of Interstate Highway 35 frontage that is currently developed or proposed to be developed for commercial/retail use. Existing commercial businesses include McDonald's, a Denny's, a Golden Chick, a Burger King, a Pilot truck stop and convenience store, the Mexicano Grill, Anytime Fitness, CEFCO/FIKES Gas C-Store, a Subway Sandwich Shop, and a Taco Bell. Other commercial businesses include a Big Red Barn climate-controlled storage facility, three retail strip centers containing assorted local businesses, and Kids Zone, which operates a child-care facility. The District also contains a Class B apartment complex, Sonterra Apartments, that is comprised of 280 units offering 1, 2 and 3 bedroom townhomes. Williamson County Emergency Services District No. 5 has completed and operates a 24-hour manned EMS station and fire station and Jarrell Independent School District operates an elementary school adjacent to the boundaries of the District as well as an elementary school within the District.

The District contains approximately 143.7 acres of developable land that have not been provided with water, sanitary sewer, and drainage facilities as of December 31, 2023 (excluding acreage currently under active development). During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. In the opinion of the District's engineers, the remaining authorized but unissued bonds are expected to be sufficient to fund water, sanitary sewer and drainage improvements to serve all areas now within the District. Approximately 58 acres of land in the District is located in drainage easements, rights-of-way and open space, and is considered undevelopable.

The chart below reflects the status of development as of December 31, 2023:

			Equivalent Connections		
	Net Acreage[(a)]	Platted Lots	Completed	Under Construction	Vacant/ Projected
A. Single-Family Acreage Developed or Being Developed with Utility Facilities:					
Completed Sections:	968.955	4,417	4,216	29	172
Sections Under Construction:	0.000	-	-	-	-
Developed with Utilities or Under Construction:	968.955	4,417	4,216	29	172
B. Other Acreage Developed with Utility Facilities:					
Commercial and Multi-Family:	129.780	71	427	-	402
Out of District Service (school, church and fire station):	-	-	760	-	-
	129.780	71	1,187	-	402
Total Developed or Being Developed:	**1,098.735**	**4,488**	**5,403**	**29**	**574**
C. Total Remaining Undeveloped/Developable Acreage:	143.728				
D. Total Developable Acreage:	1,242.463				
E. Undevelopable Acreage:	58.000				
Total	**1,300.463**				

(a) On February 20, 2018, the District substituted land by excluding approximately 250 acres of land then in the District and annexing approximately 85 acres of land adjacent to the District. On February 20, 2018, the District substituted land as authorized by Sections 54.739-54.747, Texas Water Code, by excluding approximately 250 acres of land then in the District and including approximately 85 acres of land then adjacent to the District. The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded. See "TAX DATA – Substitution of Land in the District."

STATUS OF DEVELOPMENT . . . As of December 31, 2023, water, wastewater, and drainage improvements have been completed to sections expected to serve approximately 5,246 of an ultimate 5,908 equivalent single-family connections. During the 2024 calendar year, the District added approximately 250 water service connections, representing a 6% annual growth rate. The District area also contains a completed District community center (including a swimming pool), and several small parks internal to each subdivision. Development status as of December 31, 2023 is further outlined below:

Total Completed Homes (occupied)	4,162
Homes Completed (unoccupied)	37
Homes Under Construction or Owned by Builder	29
Developed Lots Available for Construction	172
Undeveloped but Developable Acreage	143.7

FUTURE DEVELOPMENT . . . The District is being developed primarily as a single-family residential community, although approximately 80 acres have been developed for commercial use. While the Developer anticipates future development of the remaining undeveloped acreage in the District as business conditions permit, there can be no assurances if and when such development will occur or when any previously developed lots will be used for home construction.

Additionally, the pace of development within the District has exceeded original expectations. Currently anticipated development within the District could exceed the City's wastewater treatment capacity. Although the City, the Developer and the District have been working to remedy wastewater capacity issues, the District can make no representation or provide any assurances that the City's wastewater treatment capacity expansions will be sufficient to accommodate currently anticipated future development. If the City's wastewater treatment capacity is unable to accommodate currently anticipated development within the District, future development within the District could be delayed.

The District anticipates issuing additional bonds to reimburse the Developer for costs associated with the development and construction of District facilities to accomplish full build-out of the District. The District Engineer has stated that, under current development plans, the remaining unissued new money bonds authorized for water, wastewater and drainage facilities ($35,055,000) will be sufficient to finance the construction of water, wastewater and storm drainage facilities for full development of the District. See "RISK FACTORS – Factors Affecting Taxable Values and Tax Payments" and "– Wastewater Treatment Issues," "THE BONDS – Issuance of Additional Debt" and "THE SYSTEM."

STRATEGIC PARTNERSHIP AGREEMENT . . . The District and the City entered into a strategic partnership agreement dated June 23, 2009 (the "Original SPA") as permitted by Section 43.0751, Texas Local Government Code. The Original SPA between the District and the City allowed the City to annex portions of the commercial property in the District for certain limited purposes and to levy and collect sales taxes on certain commercial retail sales in the limited purpose annexed area. The Original SPA also provided that the City would remit to the District 20% of the City's sales tax revenues collected on the limited purpose annexed area and the area within both the District boundaries and the city limits of the City, except for sales taxes collected from the existing McDonald's restaurant.

In July 2014, the District and the City entered into Amendment No. 1 to the SPA ("Amendment 1"). Pursuant to Amendment 1:

1) The City de-annexed the portion of the District then located within the City's full purpose city limits (the "De-Annexed Area").
2) The City annexed for limited purposes certain land within the District.
3) The District relinquished its rights to any portion of the City's sales tax revenues.
4) The District agreed to indemnify the City against any claims for a refund of City 2014 property taxes on any lands within the De-Annexed Area.
5) The District agreed to cooperate with the City to enable the City to more efficiently provide wastewater service to approximately 100 homeowners in the City limits adjacent to the District by:
    a. Constructing, at the District's expense, following the City's request and approval of plans, a wastewater lift station and force main to be operated by the District to receive the City's wastewater flows from the area of the 100 homeowners;
    b. Not charging the City a fee for transporting the City's wastewater flows through the District's wastewater lines for a period of 25 years after commencement of such service; and
6) The District agreed to pay the City, beginning January 31, 2015 and continuing for ten years thereafter, the sum of $12,500 per year to compensate the City for lost tax revenues.

The District expects to receive payments in lieu of taxes from certain property owners in the De-Annexed Area to recoup a portion of the payments to be made by the District under item 6 above.

In February 2017, the District and the City entered into a further amendment to the SPA that, among other things, clarified the completion due date for the facilities described in 5.a. above.

The City is not authorized to levy property taxes in the limited purpose annexed area. The Original SPA, as amended, is for a term of 30 years ending June 23, 2039. The Original SPA, as amended, provides that that City will not annex any additional land in the District during the term of the Original SPA, as amended.

THE DEVELOPERS

GENERAL . . . The original developer in the District was Sonterra Development, LLC (the "Prior Developer"). On September 11, 2012, the Prior Developer sold all of its property in the District to SonWest Co., a Texas corporation ("SonWest") and RVest LP, a Texas limited partnership ("RVest"). In connection with the sale, all of the Prior Developer's rights to reimbursements from the District that had accrued as of September 11, 2012 were sold to RVest and all of the Prior Developer's rights to reimbursements occurring after September 11, 2012 were sold to SonWest. SonWest purchases property within the District from RVest for development. SonWest and RVest (collectively, the "Developer") have common ownership and were both formed in 2012 for the express purposes of acquiring and developing land within the District. In October 2021, the Developer sold 59.382 acres of land within the District to Lennar, who has developed such land, and is now building and selling single-family residences on the land.

In addition, in November 2021, the Developer sold 24.071 acres of land within the District to FR Eastwood, which land has been developed by Starlight, who, pursuant to an option agreement with FR Eastwood, has the right to acquire the 24.071 acres (or portions thereof) from FR Eastwood for development and homebuilding purposes. Starlight and Lennar are referred to herein, collectively, as the "Additional Developers." All land currently owned by the Additional Developers has been developed with utility facilities, such that the Additional Developers activities are now focused on homebuilding. In connection with the land sales to the Additional Developers, the Developer conveyed to the Additional Developers the reimbursement rights applicable to the respective land purchased. See "TAX DATA – Principal Taxpayers."

ACQUISITION FINANCING . . . RVest acquired the land within the District from the Prior Developer, Theron Vaughan, and Ellie Vaughan with seller financing secured by a deed of trust on such land in the amount of $5,880,000 evidenced by a note dated September 11, 2017 (the "Note"). According to the Developer, as of October 1, 2022, this Note has been repaid in full. There are currently no loans outstanding which are secured by the project.

According to the Developer, it is current on and in compliance with the terms of its acquisition financing.

DEVELOPMENT FINANCING . . . According to the Developer, RVest took a 15-year development loan (the "Loan") from First State Bank totaling $700,000, which has been repaid in full.

LITIGATION . . . See "THE DISTRICT – Litigation." The District is not a party to any litigation at the present time.

MANAGEMENT OF THE DISTRICT

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

Name	Title	Term Expires
Michael Cosimeno	President	May 2028
John Faske	Vice President	May 2028
Raven Dunbar	Secretary	May 2028
Sherry Roark	Assistant Secretary	May 2026
Jesse Payne	Assistant Secretary	May 2026

DISTRICT CONSULTANTS . . . The District contracts for certain necessary services as described below. The District has additionally hired approximately five full-time employees, including a General Manager.

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

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

Operator: The District has contracted with Crossroads Utility Services LLC for utility operations services.

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

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

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

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

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

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

THE SYSTEM

WATER SUPPLY AND DISTRIBUTION . . . The District's water system is currently supplied by groundwater from four Edwards Aquifer water supply wells, one Trinity Aquifer water supply well and surface water from the Lone Star Regional Water Authority ("LSRWA"). Water Well Nos. 2 (370 gpm) and 3 (70 gpm) currently provide water to Water Treatment Plant No. 2 (WTP No. 2), and Water Well Nos. 1 (140 gpm), 4 (475 gpm), and Trinity Well No. 5 (500 gpm) provide water to Water Treatment Plant No. 1 (WTP No. 1). Due to elevated fluoride levels, the existing Well No. 1 is currently utilized as an emergency source only. Trinity Well No. 5 serves as a blending source with Well No. 4 to reduce the fluoride levels below the MCL, for a combined groundwater supply capacity of 975 gpm at Water Treatment Plant No. 1.

WTP No. 1 includes chlorination facilities for Well Nos. 1, 4, and 5, a 600,000 gallon elevated storage tank, a 500,000 gallon ground storage tank, and a high service pump station. WTP No. 2 includes chlorination facilities for Well Nos. 2 and 3, a 350,000 gallon ground storage tank, three booster pumps, and a 25,000 gallon pressure tank. WTP No. 2 is also designed to accommodate future facilities including an additional 500,000 gallon elevated storage tank currently under construction. Each of the WTP's are designed to accept and blend the surface water supply with the local groundwater supplies which is necessary to serve the full buildout of the District.

Water is obtained from the wells that supply the District pursuant to a Lease of Right to Pump and Use Groundwater dated June 16, 2005, between LSARGP, LLC (an affiliate of the Prior Developer), as lessor, and the Prior Developer, as lessee, as assigned by Prior Developer to the District by Assignment of Lease of Right to Pump and Use Groundwater dated November 17, 2005, as amended (the "Groundwater Lease"). During the term of the Groundwater Lease (which continues through December 31, 2045), the District is required to purchase water from LSARGP, LLC, based on the amount of water that is pumped during each quarterly period, subject to a minimum take down of 1 million gallons per year, at rates ranging from $0.61 per thousand gallons (in 2008) to $1.25 per thousand gallons (in 2041 through 2045). The District accounts for amounts owed under the Groundwater Lease as an operating expense. The Groundwater Lease authorizes the District, with advance written approval of LSARGP, LLC, to select sites and drill wells in an area of approximately 950.5 acres (the "Lease Area"). The Lease Area includes parts of the District and other tracts in the vicinity of the District. The Groundwater Lease authorizes the District to produce up to 2 million gallons per day or 2,241 acre-feet per year of ground water of Lessor's groundwater rights through wells located in the Lease Area. The Groundwater Lease provides for the following minimum payments by the District to LSARGP, LLC:

Lease Year	Rate for Water Pumped Per 1,000 Gallons	Minimum Annual Take Amount in Gallons
2008	$0.61	1,000,000
2009	$0.65	2,000,000
2010	$0.65	3,000,000
2011	$0.65	3,000,000
2012	$0.70	4,000,000
2013	$0.70	4,000,000
2014	$0.75	5,000,000
2015	$0.80	5,000,000
2016	$0.85	5,000,000
2017	$0.90	5,787,000
2018	$0.95	5,787,000
2019	$1.00	5,787,000
2020	$1.00	8,000,000
2021-25	$1.00	8,000,000
2026-30	$1.10	8,000,000
2031-35	$1.15	10,000,000
2036-40	$1.20	10,000,000
2041-45	$1.25	10,000,000

The District's engineer has indicated that the District's existing water production capacity is sufficient to serve (i) up to 9,189 single-family equivalent connections based on current booster pump capacity; (ii) up to 9,189 single-family equivalent connections based on total available groundwater and surface water supplies; and (iii) up to 6,000 single-family equivalent connections based on the current combined elevated and ground storage capacity. Service to development that is in excess of 6,000 single-family equivalent connections will require additional elevated storage capacity.

The District is a participant in a regional effort with neighboring water systems for the delivery of an additional water supply to be provided from a combination of groundwater and surface water sources through the Lone Star Regional Water Authority ("LSRWA"), a regional water authority created in the 2011 session of the Texas legislature. The LSRWA can facilitate financing of the regional water supply efforts by the District and other political subdivisions in northern Williamson and southern Bell Counties. The LSRWA regional water supply project has been financed by the Texas Water Development Board ("TWDB") as part of the FY2015 SWIFT funding through the issuance of six series of debt in the aggregate principal amount of $29,140,000, the District pledged its gross revenues towards repayment for the District's share (approximately $15,820,106, or 54.29%). The project was completed in Spring of 2020. The District's share of the regional water supply project is 5.7 MGD, which is sufficient for full build-out of the District. In addition, the District has completed construction of an emergency interconnection with the

Jarrell-Schwertner Water Supply Corporation ("JSWSC"). LSRWA issued $3,165,000 of contract revenue bonds (current outstanding balance: $2,320,000) on August 6, 2015 to finance the construction of a 600,000 gallon elevated storage tank and water supply well in the District, which construction is complete (the "Lone Star Bonds"). The Lone Star Bonds are payable, both as to principal and interest, solely from and are secured by a first lien on and pledge of payments to be received by LSRWA from the Water System Facilities Installment Sale Contract between the LSRWA and the District dated as of June 1, 2015 (the "Lone Star Contract"). Pursuant to the Lone Star Contract, the gross revenues of the District's waterworks and sanitary sewer system have been pledged to secure the LSRWA Bonds.

The District has been issued a water certificate of convenience and necessity and a sewer certificate of convenience and necessity by the Texas Commission on Environmental Quality. By agreement with the City, a small portion of the District's certificated sewer service area is dually certificated to the District and the City. By agreement with Jarrell-Schwertner Water Supply Corporation (the "WSC"), a small portion of the District's water service area is dually certificated to the WSC and the District. In the dually certificated areas, either the District or the dually certificated entity may provide service. The District has agreed that any customers within the dually certificated water service area that receive water service from the WSC will not be required to obtain water service from the District as a condition to receiving sewer service from the District.

The District has constructed internal water transmission and wastewater collection facilities and storm drainage facilities to serve approximately 5,246 of the anticipated ultimate 5,908 equivalent single-family connections within the District.

WASTEWATER TREATMENT MATTERS . . . The District and the City have entered into an "Agreement for Wholesale Wastewater Service (Sonterra MUD)" dated effective as of December 23, 2008 (as amended, the "Wastewater Contract") under which the District receives wholesale wastewater treatment services from the City. The City holds a four million gallon per day ("MGD") wastewater discharge permit from the TCEQ and has completed the 1.0 MGD phase of the Donahoe Creek Regional Wastewater Treatment Plant (the "Donahoe Creek WWTP"), located a few miles north and east of the District, which the City operates under that permit. The Wastewater Contract provides the District with the contractual right to up to three, 3.0 MGD of wastewater treatment capacity in the Donahoe Creek WWTP, which, according to the District's engineer, should be sufficient for the full development of the District. The District's flows to the Donahoe Creek WWTP are currently approximately 0.60 MGD. Under the Wastewater Contract, the City is responsible for constructing all expansions to the City's trunk main facilities and the Donahoe Creek WWTP that are necessary to provide service to the District at the levels provided for in the Wastewater Contract. The District is obligated to pay the City a "wastewater treatment access fee," currently $1,720 per service unit, for each connection that the District serves through the Donahoe Creek WWTP. The District collects this fee from each new customer at the time of connection to the District's sewer system. The District is also obligated to pay the City a volumetric rate, per 1,000 gallons, for all wastewater delivered by the District to the Donahoe Creek WWTP. The term of the Wastewater Contract is 30 years.

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

SERVICE TO COOL WATER MUNICIPAL UTILITY DISTRICT . . . Effective August 15, 2019, the District entered into an Agreement for the Provision of Retail Water and Wastewater Services (the "Retail Services Agreement") with Cool Water Partners, LP ("Cool Water Partners") and Cool Water Municipal Utility District ("Cool Water MUD"), under which the District agreed to provide 1,600 living unit equivalents ("LUEs") of retail water and wastewater services to the approximately 312.94 acres of land within Cool Water MUD. As part of the consideration under that agreement, Cool Water Partners and Cool Water MUD agreed, jointly and severally, to make certain contract payments to the District, calculated to pay Cool Water MUD's prorata share, based on the 1,600 LUEs of service, of the debt service on certain District facilities required to provide service and of the District's payments under the Lone Star Contract. After Cool Water Partners made the first payment of $271,926 under the Cool Water Contract, Cool Water Partners requested a change in the payment schedule under the contract and a reduction in number of LUEs of service to 1,560 LUEs. The Board of Directors subsequently approved the requested changes and authorized the preparation of an amended and restated contract, which was executed effective October 1, 2019. Additionally, the District entered into an Agreement for the Provision of Retail Water and Wastewater Services (the "Retail Services Agreement-Eastwood") with Cord McNally LP, Pale Rider LP, Robert J. Wilson, CR 315 LP, SonWest Co., and Cool Water MUD, under which the landowner, developer and Cool Water MUD would similarly pay a pro-rata share, based on 1,665 LUEs of the debt service on certain District facilities required to provide service to the 282.31 acres of land subject to the agreement and of the District's payments under the Lone Star Contract. The agreement was executed effective November 1, 2020 and the 282.31 acres of land subject to the agreement was annexed into Cool Water MUD in April 2021, at which time Cool Water MUD joined in the agreement. In late 2021, certain rights and obligations under the Retail Services Agreement and Retail Services Agreement-Eastwood (together, the "Retail Services Agreements") were partially assigned by the developers and landowners under the Retail Services Agreements to additional developers in connection with certain land sales to the additional developers, such that the responsibility for the contract payments due to the District under the Retail Services Agreements were divided among all of the developers according to the number of LUEs of retail water and wastewater services allocated among them.

STORM DRAINAGE FACILITIES . . . Storm drainage for the District is provided by internal drainage networks, detention ponds, and channels. The District does not anticipate receiving any revenues from its drainage system. The northern portion of the District flows to Donahoe Creek which outfalls into Little River and eventually the Brazos River. The southern portion of the District flows to Willis Creek which leads to the San Gabriel River and Little River.

100-YEAR FLOOD PLAIN . . . "Flood Insurance Rate Map" or "FIRM" means an official map of a community on which the Federal Emergency Management Agency ("FEMA") has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The "100-year flood plain (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is not an assurance that homes built in such area will not be flooded. According to the Engineer, approximately 16 acres of undevelopable land within the District are located within the current 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map. However, the National Weather service recently completed a rainfall study known as Atlas 14 which shows that severe rainfall events are now occurring more frequently. Based on this study, various governmental agencies, including Williamson County, are contemplating potentially increasing the size of the 100 year floodplain. No assurances can be given whether such action may be taken or what impact, if any, it will have on development within the District. All of the land in the District which has been developed is outside the current 100-year flood plain. See "RISK FACTORS – Storm Water."

PRO-FORMA DEBT SERVICE REQUIREMENTS

Year Ending 9/30	Existing Debt[(a)] Principal	Existing Debt[(a)] Interest	Existing Debt[(a)] Total	The Bonds[(b)] Principal	The Bonds[(b)] Interest	The Bonds[(b)] Total	Total Debt Service
2025	$ 2,293,313	$ 2,450,000	$ 4,743,312	$ 1,000,000	$ 157,575	$ 1,157,575	$ 5,900,887
2026	2,690,000	2,045,112	4,735,112	260,000	126,900	386,900	5,122,012
2027	2,790,000	1,946,425	4,736,425	275,000	115,200	390,200	5,126,625
2028	2,880,000	1,850,475	4,730,475	285,000	102,825	387,825	5,118,300
2029	2,980,000	1,752,531	4,732,531	300,000	90,000	390,000	5,122,531
2030	3,090,000	1,649,487	4,739,487	310,000	76,500	386,500	5,125,987
2031	3,200,000	1,556,187	4,756,187	325,000	62,550	387,550	5,143,737
2032	3,315,000	1,458,362	4,773,362	340,000	47,925	387,925	5,161,287
2033	3,430,000	1,356,476	4,786,476	355,000	32,625	387,625	5,174,101
2034	3,425,000	1,249,657	4,674,657	370,000	16,650	386,650	5,061,307
2035	3,465,000	1,139,544	4,604,544	-	-	-	4,604,544
2036	3,595,000	1,025,262	4,620,262	-	-	-	4,620,262
2037	3,670,000	905,069	4,575,069	-	-	-	4,575,069
2038	3,830,000	780,363	4,610,363	-	-	-	4,610,363
2039	3,975,000	649,931	4,624,931	-	-	-	4,624,931
2040	3,610,000	511,806	4,121,806	-	-	-	4,121,806
2041	3,410,000	390,044	3,800,044	-	-	-	3,800,044
2042	2,945,000	276,663	3,221,663	-	-	-	3,221,663
2043	2,605,000	179,113	2,784,113	-	-	-	2,784,113
2044	1,750,000	93,056	1,843,056	-	-	-	1,843,056
2045	910,000	39,469	949,469	-	-	-	949,469
2046	635,000	16,669	651,669	-	-	-	651,669
	$ 64,493,313	$23,321,702	$ 87,815,015	$ 3,820,000	$ 828,750	$ 4,648,750	$92,463,765

(a) Does not include payments to be made pursuant to the Lone Star Contract. Such contract payments are treated as an operation and maintenance expense of the District.
(b) Interest on the Bonds calculated at an assumed rate for purposes of illustration. Preliminary, subject to change.

Projected Average Annual Debt Service Requirements (2025-2046) $4,202,898
Projected Maximum Annual Debt Service Requirement (2025) $5,900,887

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	District's Overlapping Tax Supported Debt as of 12/31/2024
Williamson County	$ 1,291,400,000	1.00%	$ 12,914,000
Jarrell Independent School District	382,454,810	39.45%	150,878,423
The District	68,313,313	100.00%	68,313,313 [(a)]
Total Direct and Overlapping Tax Supported Debt			$ 232,105,736
Ratio of Direct and Overlapping Tax Supported Debt to 2024 Taxable Assessed Valuation			18.33%

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

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

Set forth below are all of the taxes levied for the 2024 tax year by all taxing jurisdictions and the District. No recognition is given to local assessments for civic association dues, fire department contributions, solid waste disposal charges, or any other levy of entities other than political subdivisions.

	2024 Tax Rate Per $100 Assessed Valuation
Williamson County[(a)]	$ 0.3999
Jarrell Independent School District	1.1692
Williamson County ESD #5	1.0000
Total Overlapping Tax Rate	$ 2.5691
The District	0.7035
Total Tax Rate	$ 3.2726

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

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TAX DATA

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

DEBT SERVICE TAX . . . The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate, without limit as to rate or amount, to provide funds to pay the principal of and interest on the Bonds.

MAINTENANCE TAX . . . The Board has the statutory authority to levy and collect an annual ad valorem tax for the operation and maintenance of the District, if such a maintenance tax is authorized by the District's voters. A maintenance tax election was conducted and voters of the District authorized, among other things, the Board to levy a maintenance tax, without limit as to rate or amount. A maintenance tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on any ad valorem tax-secured indebtedness, including the Bonds. See "– Debt Service Tax" above.

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

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

HISTORICAL TAX RATE

	2021	2022	2023	2024
Debt Service	$ 0.8150	$ 0.6000	$ 0.5750	$ 0.5750
Maintenance	0.1325	0.1115	0.1285	0.1285
Total	$ 0.9475	$ 0.7150	$ 0.7035	$ 0.7035

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

Tax Year	Net Certified Taxable Assessed Valuation[(a)(b)]	Tax Rate	Total[(c)] Tax Levy	Total Collections Amount	Percent	As of
2020	$ 518,421,635	$ 0.9475	$4,916,934	$4,912,017	99.90%	09/30/21
2021	713,016,018	0.9475	6,729,538	6,722,808	99.90%	09/30/22
2022	1,040,936,775	0.7150	7,425,307	7,410,456	99.80%	09/30/23
2023	1,198,165,740	0.7035	8,430,056	8,397,179	99.91%	07/31/24
2024	1,266,039,396	0.7035	8,906,587	N/A	N/A	N/A

(a) Net valuation represents final gross appraised value as certified by the Appraisal District less any exemptions granted. See "Tax Roll Information" below for gross appraised value and exemptions granted by the District.
(b) On February 20, 2018, the District substituted land as authorized by Sections 54.739-54.747, Texas Water Code, by excluding approximately 250 acres of land then in the District and including approximately 85 acres of land then adjacent to the District. According to the County's Chief Appraiser, the 85 acres of land included in the District had a higher taxable value than the 250 acres of land excluded from the District, which resulted in an increase in the District's taxable appraisal value of $534,647 at the time of the substitution. Such increase in taxable appraised value is included beginning with the 2019 tax year. The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded.
(c) Represents actual tax levy, including any adjustments by the Appraisal District, as of the date hereof.

TAX ROLL INFORMATION . . . The District's appraised value as of January 1 of each year is used by the District in establishing its tax rate (see "TAXING PROCEDURES – Valuation of Property for Taxation"). The following represents the composition of property comprising the 2022, 2023, and 2024 Certified Taxable Appraised Valuations.

	2022 Certified TAV	2023 Certified TAV[(a)]	2024 Certified TAV
Land and Improvements	$ 1,048,873,987	$ 1,213,963,859	$ 1,288,059,820
Personal Property	10,854,851	13,389,225	17,918,462
Total Assessed Valuation	$ 1,059,728,838	$ 1,227,353,084	$ 1,305,978,282
Exemptions	18,792,063	29,187,344	39,938,886
Total Taxable Appraised Valuation	$ 1,040,936,775	$ 1,198,165,740	$ 1,266,039,396

(a) On February 20, 2018, the District substituted land as authorized by Sections 54.739-54.747, Texas Water Code, by excluding approximately 250 acres of land then in the District and including approximately 85 acres of land then adjacent to the District. According to the County's Chief Appraiser, the 85 acres of land included in the District had a higher taxable value than the 250 acres of land excluded from the District, which resulted in an increase in the District's taxable appraisal value of $534,647 at the time of the substitution. Such increase in taxable appraisal value is included beginning with the 2019 tax year. The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded. See "TAX DATA – Substitution of Land in the District."

SUBSTITUTION OF LAND IN THE DISTRICT . . . Under Sections 54.739-54.747, Texas Water Code, a district may, under certain circumstances, substitute land and alter its boundaries by excluding land subject to taxation within the District and simultaneously including land of at least equal taxable value. Such a substitution will not impair the security of the district's outstanding bonds and any other contractual obligations payable or secured by ad valorem taxes or revenues of the District.

On February 20, 2018, after receipt of an application for the substitution of land, providing the appropriate notice and conducting a hearing, the District excluded approximately 250 acres of land from the District and simultaneously included approximately 85 acres of land then located outside the boundaries of the District. The approximate taxable value of the 85 acres of land added to the District was determined to be $2,106,907 and the approximate taxable value of the 250 acres of land excluded from the District was determined to be $1,572,260, each based on certifications from the County's Chief Appraiser. Therefore, after giving effect to the substitution, the total appraisal value of all land in the District increased $534,647 as of February 2018. The District received a certification from its Financial Advisor that the taxable value of the included land equaled or exceeded the taxable value of the excluded land.

The District substituted additional land on October 18, 2021 by including two separate tracts of 0.432 acre and 0.149 acre, respectively, and excluding one tract of 0.581 acre. The aggregate valuation of the tracts included is of equal value to the tract excluded.

No representation is made concerning the likelihood that the District will affect any additional changes to its boundaries.

PRINCIPAL TAXPAYERS . . . The following table represents the District's principal taxpayers, the taxable assessed value of each principal taxpayers' property in the District, and such property's assessed value as a percentage of the District's 2024 Certified Taxable Assessed Valuation.

Taxpayer	Taxable Assessed Value	% of 2024 Taxable Assessed Valuation
Akiva Holdings LLC	$ 37,000,000	2.92%
RVest LP[(a)]	13,128,284	1.04%
Leemak Jarrell LLC	12,129,295	0.96%
Oncor Electric Delivery Company	7,173,600	0.57%
Bid Red Barn V Ltd.	5,141,922	0.41%
Lennar Homes of Texas Land & Construction Ltd.	3,733,270	0.29%
Jarrellking LLC	3,541,453	0.28%
Akiva, Manny	3,380,957	0.27%
NNN Reit LP	2,640,000	0.21%
Suki Angel LLC	2,518,446	0.20%
	$ 90,387,227	7.14%

(a) The Developer or its affiliate.

TAX ADEQUACY FOR DEBT SERVICE . . . The tax rate calculations set forth below indicate the tax rates per $100 appraised valuation that would be required to meet average annual and maximum debt service requirements if no growth in the District's tax base occurred beyond the 2024 Certified Taxable Assessed Valuation of $1,266,039,396. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and outstanding debt of the District payable from taxes when due, assuming no further increase nor any decrease in taxable values in the District, collection of ninety five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service. See "PRO-FORMA DEBT SERVICE REQUIREMENTS."

Average Annual Debt Service Requirement (2025-2046)	$4,202,898 [a]
$0.3495 Tax Rate on 2024 Certified Taxable Assessed Valuation at 95% collection	$4,203,567 [a]
Maximum Annual Debt Service Requirement (2025)	$5,900,887 [a]
$0.4907 Tax Rate on 2024 Certified Taxable Assessed Valuation at 95% collection	$5,901,833 [a]

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

DISTRICT OPERATIONS . . . A condensed statement of the operating activities of the General Fund of the District is provided below as reflected in the District's audit reports:

Revenues:	2023	2022	2021	2020	2019
Property Taxes	$ 1,194,490	$ 917,752	$ 688,440	$ 517,381	$ 405,922
Water/Wastewater Service	6,538,124	5,739,651	4,508,437	3,523,303	2,283,719
Inspection and Tap Fees	778,021	1,730,203	929,370	1,033,270	807,873
Park and Recreational Fees	1,360,811	1,238,986	1,096,680	962,422	767,088
Other	2,093,900	6,034,800	1,742,022	655,440	626,277
Total Revenues	$ 11,965,346	$ 15,661,392	$ 8,964,949	$ 6,691,816	$ 4,890,879
Total Expenses	$ 9,187,734	$ 8,747,433	$ 6,747,907	$ 5,175,454	$ 4,055,352
Excess (Deficiency) of Revenues Over Expenditures	$ 2,777,612	$ 6,913,959	$ 2,217,042	$ 1,516,362	$ 835,527
Transfers in (Out)		$ 266,783	$ -	$ (8,849)	$ 57,630
Beginning Fund Balance	$ 13,648,280	$ 6,467,538	$ 4,250,496	$ 2,742,983	$ 1,849,826
Ending Fund Balance	$ 16,425,892	$ 13,648,280	$ 6,467,538	$ 4,250,496	$ 2,742,983

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

Purpose	Date Authorized	Amount Authorized	Amount Previously Issued	Amount Being Issued	Unissued Balance
Water, Sewer, Drainage	5/1/2021	$ 45,000,000	$ 9,945,000	$ -	$ 35,055,000
Park and Recreational Facilities	5/1/2021	15,000,000	-	3,820,000	11,180,000
Park and Recreational Facilities	5/4/2024	55,000,000	-	-	55,000,000
Total		$ 115,000,000	$ 9,945,000	$ 3,820,000	$ 101,235,000

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE DISTRICT

Under Texas law, the District is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC); (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund or their respective successors; (8) certificates of deposit and share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code, as amended) (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for District deposits; or (ii) that are invested by the District through a depository institution that has its main office or a branch office in the State of Texas and otherwise meets the requirements of the PFIA; (9) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that complies with Securities and Exchange Commission Rule 2a-7; and (13) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, and either has a duration of one year or more or is invested exclusively in obligations described in the this paragraph or has a duration of less than one year and the investment portfolio is limited to investment grade securities; excluding asset-backed securities; and (14) local government investment pools organized in accordance with the Interlocal Cooperation Act (Chapter 791, Texas Government Code) as amended, whose assets consist exclusively of the obligations that are described above. A public funds investment pool must be continuously ranked no lower than "AAA," "AAA-m" or at an equivalent rating by at least one nationally recognized rating service. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

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

The District may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The District may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the District retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the District must do so by order, ordinance, or resolution.

The District is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for District funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund, groups methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All District funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the District's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the District, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest District funds without express written authority from the Board of Directors.

Under Texas law, the District is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the District to disclose the relationship and file a statement with the Texas Ethics Commission and the District, (3) require the registered principal of firms seeking to sell securities to the District to: (a) receive and review the District's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the District's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the District's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

CURRENT INVESTMENTS . . . As of September 9, 2024, $467,960.17 of the District's investable funds were held by First Citizens Bank, BBVA Bank, R Bank and in various FDIC-insured certificates of deposit. A portion of the of the District's investable funds, totaling $25,312,466.54 (including $5,332,122.45 in the capital projects fund), were held by TexPool as of the same date.

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TAXING PROCEDURES

AUTHORITY TO LEVY TAXES . . . The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, and any additional bonds payable from taxes which the District has previously or may hereafter issue (see "INVESTMENT CONSIDERATIONS – Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS – Source of Payment." Under State law, the Board may also levy and collect an annual ad valorem tax for the operation and maintenance of the District and its water and wastewater system. See "TAX DATA – Maintenance Tax."

PROPERTY TAX CODE AND COUNTY-WIDE APPRAISAL DISTRICT . . . The Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, 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 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 Williamson Central Appraisal District has the responsibility for appraising property for all taxing units within Williamson County, including the District. Such appraisal values are subject to review and change by the Williamson County Appraisal Review Board (the "Appraisal Review Board").

PROPERTY SUBJECT TO TAXATION BY THE DISTRICT . . . Except for certain exemptions provided by State 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; however, no effort is expected to be made by WCAD to include on a tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State or its political subdivisions if the property is used for public purposes; property exempt from ad valorem taxation by federal law; income producing tangible personal property or mineral interest with a taxable value of less than $500; certain property used for the control of air, water or land pollution; solar and wind powered energy devices; certain non-profit cemeteries, farm products owned by the producer; and certain property owned by qualified charitable, religious, veterans, youth, or fraternal organizations. Article VIII, Section 1-a of the Texas Constitution grants a $3,000 homestead exemption for all homesteads taxed by counties for farm-to-market roads and flood control purposes. Property owned by a disabled veteran or by the surviving spouse (so long as the surviving spouse remains unmarried) or children (under 18 years of age) of a deceased veteran is partially exempt to between $5,000 and $12,000 of assessed value depending on the disability rating of the veteran. Additionally, if an individual dies while on active duty as a member of the armed services of the United States, the surviving spouse and surviving children (under 18 years of age) are entitled to an exemption from taxation of $5,000 of the assessed value of certain designated property owned by the spouse or children. A disabled veteran who receives 100% disability compensation from the United States Department of Veteran Affairs or its successor due to a service-connected disability and a rating of 100% disabled or of individual un-employability is entitled to an exemption from taxation of the total appraised value of the veteran's residence homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who was entitled to an exemption for the full value of the veteran's residence homestead when the disabled veteran died, or the surviving spouse of a disabled veteran who would have qualified for such exemption if such exemption had been in effect on the date the disabled veteran died, is entitled to receive a residential homestead exemption equal to the exemption received by the deceased spouse until such surviving spouse remarries.

Furthermore, a partially disabled veteran or the surviving spouse of a partially disabled veteran, if such spouse has not remarried since the death of the disabled veteran and the property was the residence homestead of the surviving spouse when the disabled veteran died and remains the residence homestead of the surviving spouse, is entitled to an exemption equal to the percentage of the veteran's disability, if the residence was donated to the disabled veteran by a charitable organization at no cost to the disabled veteran, or at some cost to the disabled veteran in the form of a cash payment, a mortgage, or both in an aggregate amount that is not more than 50% of the good faith estimate of the market value of the residence homestead made by the charitable organization as of the date the donation is made. Such exemption is transferable to a different property 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 member of the armed forces who is killed in action is entitled to a property tax exemption for all or part of the market value of such surviving spouse's residences 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 is transferable to a different property 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 a property tax exemption for all or part of the market value of such 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 is transferable to a different property 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.

Residential Homestead Exemptions: Under Article VIII, Section 1-b of the Texas Constitution and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older or the disabled from all ad valorem taxes thereafter levied by the political subdivision.

Once authorized, such exemption may be repealed or decreased or increased in amount (i) by the governing body of the political subdivision or (ii) by a favorable vote of a majority of the qualified voters at an election called by the governing body of the political subdivision, which election must be called upon receipt of a petition signed by at least 20% of the number of qualified voters who voted in the preceding election of the political subdivision. In the case of a decrease, the amount of the exemption may not be reduced to less than $3,000 of the market value.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In addition to any other exemptions provided by the Tax Code, under Article VIII, Section 1-b of the Texas Constitution, the governing body of a political subdivision, at its option, may grant an exemption of up to 20% of the market value of residence homesteads, with a minimum exemption of $5,000. Effective until December 31, 2019, the governing body of a political subdivision that adopted such exemption for the 2014 tax year (fiscal year 2015) is prohibited from repealing or reducing the amount of such exemption.

In the case of residence homestead exemptions granted under Article VIII, Section 1-b, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

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

Temporary Exemption for Qualified Property Damaged by a Disaster: The Property Tax Code provides for temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% 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.

TAX ABATEMENT . . . Williamson County may designate all or part of the area within the District as a reinvestment zone. Thereafter, Williamson County, the Jarrell Independent School District, 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 years, all or any part of any increase in the appraised valuation of property covered by the agreement over its appraised 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 agreement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions.

VALUATION OF PROPERTY FOR TAXATION . . . Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. 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 the market value of property, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal. State law requires the appraised value of a residence homestead to be based solely on the property's value as a residence homestead, regardless of whether residential use is s considered to be the highest and best use of the property.

Oil and gas reserves are assessed on the basis of pricing information contained in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year.

State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the less of (1) the property's market value in the most recent tax year in which the market value was determined by the appraisal district or (2) the sum of (a) 10% of the property's appraised value in the preceding tax year, plus (b) the property's appraised value the preceding tax year, plus (c) the market value of all new improvements to the property. Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business being valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business.

Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years for agricultural use and taxes for the previous five (5) years for open space land and timberland.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraisal values. The plan must provide for appraisal of all real property in the Appraisal District at least once every three 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.

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

LEVY AND COLLECTION OF TAXES . . . The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 15 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. For those taxes billed at a later date and that become delinquent on or after June 1, they will also incur an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. 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. Additionally, certain taxpayers, including the disabled, persons 65 years or older and disabled veterans, who qualified for certain tax exemptions are entitled by law to pay current taxes on a residential homestead in four installments with the first due before February 1 of each year and the final installment due before August 1 or to defer the payment of taxes without penalty during the time of ownership.

ROLLBACK OF OPERATION AND MAINTENANCE TAX RATE . . . During the 86th Regular Legislative Session, Senate Bill 2 ("SB 2") was passed and signed by the Governor, with an effective date (as to those provisions discussed herein) of January 1, 2020, and the provisions described herein are effective beginning with the 2020 tax year. See "SELECTED FINANCIAL INFORMATION" for a description of the District's current total tax rate. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

SB 2 classifies municipal utility districts differently based on their current operation and maintenance tax rate or on the percentage of projected build-out that a 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, 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 pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

Developed Districts that adopt a total tax rate that would impose more than 1.035 times the amount of the total tax imposed by the district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, plus any unused increment rates, as calculated and described in Section 26.013 of the Tax Code, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Developed District is the current year's debt service and contract tax rate plus the operation and maintenance tax rate that would impose 1.035 times the amount of operation and maintenance tax imposed by the district in the preceding year on a residence homestead appraised at the average appraised value of a residence homestead in the district in that year, subject to certain homestead exemptions, plus any unused increment rates. In addition, if any part of a Developed District lies within an area declared for disaster by the Governor of Texas or President of the United States, alternative procedures and rate limitations may apply for a temporary period. If a district qualifies as both a Special Taxing Unit and a Developed District, the district will be subject to the operation and maintenance tax threshold applicable to Special Taxing Units.

Developing Districts

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

The District

The Board of Directors has determined that the District is a Developing District for purposes of the 2024 tax year. The District cannot give any assurances as to what its classification will be at any future 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 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 "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

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

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

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

LEGAL MATTERS

LEGAL OPINIONS . . . Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Bonds, to the effect that the Bonds are valid and binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. Bond Counsel's legal opinion will also address the matters described below under "TAX MATTERS." Such opinion will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. In connection with the issuance of the Bonds, Bond Counsel has been engaged by, and only represents, the District. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based upon a percentage of Bonds actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Bonds.

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

LITIGATION . . . The District is not a party to any lawsuits at the present time.

NO-LITIGATION CERTIFICATE . . . The District will furnish to the Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE . . . The obligations of the Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

STATE LEGISLATIVE CHANGES . . . The Texas Legislature convenes for 140 days in odd numbered years. The Governor may call one or more special sessions. During any regular or special session, the Texas Legislature may enact laws that materially change current law relating to districts including with respect to the levy of property taxes. The District makes no representation regarding any action the Texas Legislature may take but intends to monitor proposed or pending legislation for any developments applicable to the District.

PREPARATION OF OFFICIAL STATEMENT

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

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

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

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

Engineer: The information contained in this Official Statement relating to engineering and to the description of the System and, in particular, that information included in the sections entitled "THE DISTRICT," and "THE SYSTEM" has been provided by Jones-Heroy & Associates, Inc. and has been included herein in reliance upon the authority of said firm as experts in the field of civil engineering.

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

CERTIFICATION AS TO OFFICIAL STATEMENT . . . The District, acting by and through its Board in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the District and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the District, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the District has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in "CONTINUING DISCLOSURE OF INFORMATION" herein, the District has no obligation to disclose any changes in the affairs of the District and other matters described in this Official Statement subsequent to the "end of the underwriting period" which shall end when the District delivers the Bonds to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Bonds subsequent to the "end of the underwriting period" is the responsibility of the Purchaser.

UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . . If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide and Official Statement to potential customers who request the same pursuant to Rule 15c2-12 of the federal Securities Exchange Act of 1934 (the "Rule") (the earlier of (i) 90 days from the "end of the underwriting period" (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the "end of the underwriting period"), the District learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the District will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Bonds as described in the notice of sale accompanying this Official Statement. The obligation of the District to update or change the Official Statement will terminate when the District delivers the Bonds to the Purchaser (the "end of the underwriting period" within the meaning of the Rule), unless the Purchaser provides written notice the District that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Purchaser provides written notice to the District that less than all of the Bonds have been sold to ultimate customers, the Purchaser agrees to notify the District in writing following the occurrence of the "end of the underwriting period" as defined in the Rule.

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The District will provide certain updated financial information and operating data to the MSRB annually through EMMA. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement in the table titled "PRO-FORMA DEBT SERVICE REQUIREMENTS," under the heading "TAX DATA" (except for information related to tax adequacy for debt service) and in APPENDIX A. The District will update and provide this information within six months after the end of each fiscal year.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements of the District, if the District commissions an audit and it is completed by the required time. If the audit of such financial statements is not complete within twelve months after the District's fiscal year end, then the District shall file unaudited financial statements for the applicable fiscal year to the MSRB within such twelve-month period, and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX A or such other accounting principles as the District may be required to employ from time to time pursuant to Texas law or regulation.

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

NOTICE OF CERTAIN EVENTS . . . The District will provide notice to the MSRB of any of the following events with respect to the Bonds, if such event is material within the meaning of the federal securities laws: (1) non-payment related defaults; (2) modifications to rights of bondholders; (3) Bond calls; (4) release, substitution, or sale of property securing repayment of the Bonds; (5) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the 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 such actions, other than pursuant to its terms; (6) appointment of a successor or additional trustee or the change of name of a trustee and (7) incurrence of a Financial Obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material.

The District will also provide notice to the MSRB of any of the following events with respect to the Bonds without regard to whether such event is considered material within the meaning of the federal securities laws; (1) principal and interest payment delinquencies; (2) unscheduled draws on debt service reserves reflecting financial difficulties; (3) unscheduled draws on credit enhancements reflecting financial difficulties; (4) substitution of credit or liquidity providers, or their failure to perform; (5) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (6) tender offers; (7) defeasances; (8) rating changes; (9) bankruptcy, insolvency, receivership or similar event of the District (which is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District) and (10) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties.

"Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The District will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The District will also provide timely notice of any failure by the District to provide annual financial information in accordance with their agreement described above under "– Annual Reports."

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

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

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

MISCELLANEOUS

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

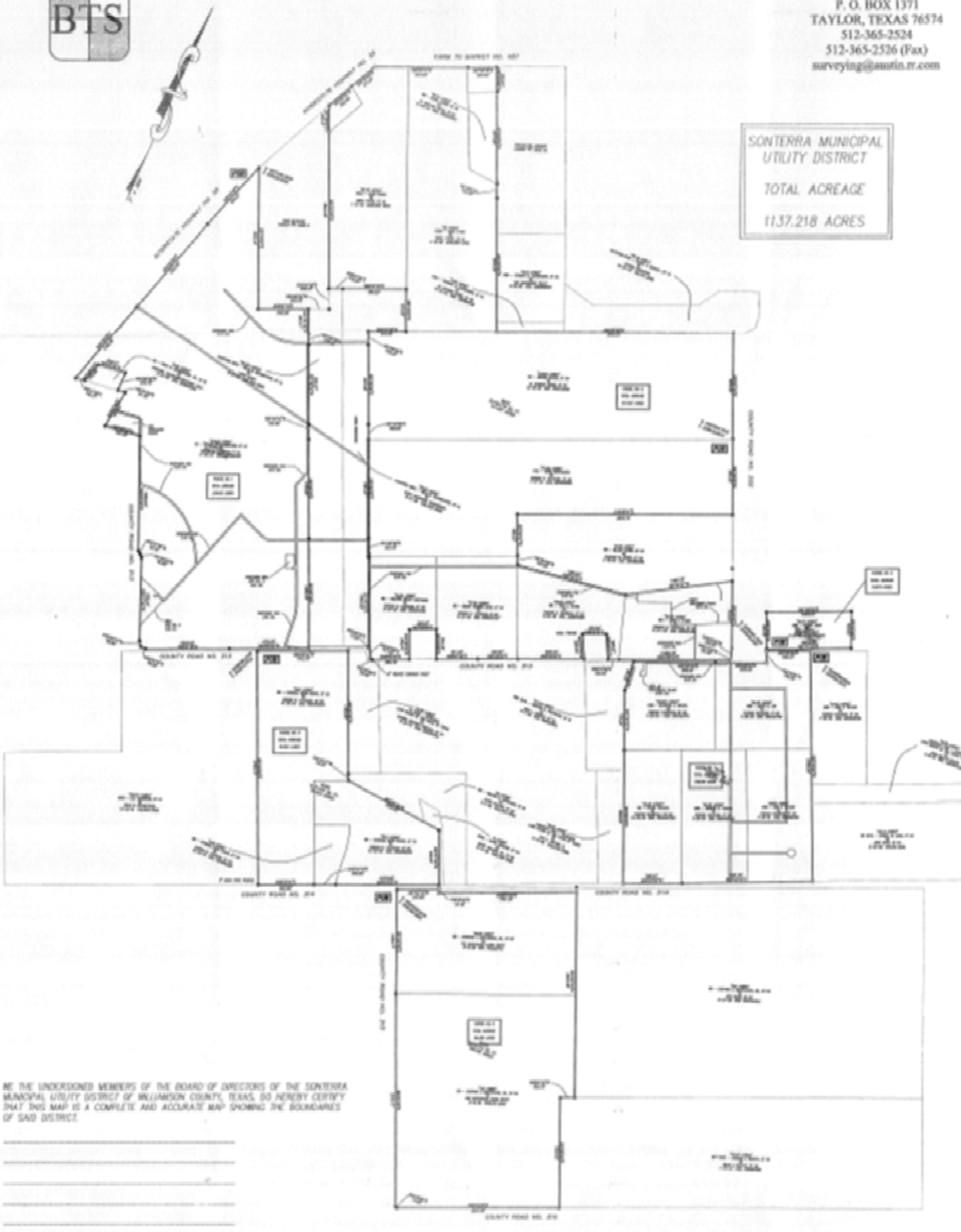
____
President, Board of Directors
Sonterra Municipal Utility District

ATTEST:

____
Secretary, Board of Directors
Sonterra Municipal Utility District

AERIAL BOUNDARY MAP

BRYAN TECHNICAL SERVICES, INC.
P. O. BOX 1371
TAYLOR, TEXAS 76574
512-365-2524
512-365-2526 (Fax)
surveying@austin.rr.com



WE THE UNDERSIGNED MEMBERS OF THE BOARD OF DIRECTORS OF THE SONTERRA MUNICIPAL UTILITY DISTRICT OF WILLIAMSON COUNTY, TEXAS, DO HEREBY CERTIFY THAT THIS MAP IS A COMPLETE AND ACCURATE MAP SHOWING THE BOUNDARIES OF SAID DISTRICT.

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____

THE STATE OF TEXAS
COUNTY OF WILLIAMSON

BEFORE ME, THE UNDERSIGNED, A NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS ON THIS DAY PERSONALLY APPEARED

OF THE SONTERRA MUNICIPAL UTILITY DISTRICT OF WILLIAMSON COUNTY, TEXAS, KNOWN TO ME TO BE THE PERSONS AND OFFICERS WHOSE NAMES ARE SUBSCRIBED ABOVE, AND AFFIRMED AND ACKNOWLEDGED THE STATEMENT SUBSCRIBED TO ABOVE THAT THEY EXECUTED SAME IN THE CAPACITY THEREIN STATED.

GIVEN UNDER MY HAND AND SEAL OF OFFICE THIS THE ________ DAY OF ____________________, 200__.

____
NOTARY PUBLIC IN AND FOR THE STATE OF TEXAS

SURVEYOR NOTE:
THIS IS TO CERTIFY THAT THE DRAWING HEREON IS A TRUE AND CORRECT REPRESENTATION OF THE FIELD NOTE DESCRIPTION OF THE SONTERRA MUNICIPAL UTILITY DISTRICT.

BRUCE L. BRYAN
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 4249
STATE OF TEXAS

LEGEND:
- ● ½" IRON ROD FOUND
- ○ ½" IRON ROD SET (WITH CAP)

SURVEYORS CERTIFICATE

THE PLAT SHOWN HEREON IS A TRUE, CORRECT AND ACCURATE REPRESENTATION OF THE PROPERTY AS DETERMINED BY SURVEY, THE LINES AND DIMENSIONS OF SAID PROPERTY BEING AS INDICATED BY THE PLAT; THE SIZE, LOCATIONS AND TYPE OR BUILDINGS ARE AS SHOWN, ALL IMPROVEMENTS BEING WITH THE BOUNDARIES OF THE PROPERTY, SET BACK FROM THE PROPERTY LINES THE DISTANCES INDICATED. THERE ARE NO ENCROACHMENTS, CONFLICTS OR PROTRUSIONS, EXCEPT AS SHOWN HEREON, AND SAID PROPERTY HAS ACCESS TO AND FROM A DEDICATED ROADWAY.

DATE: SEPTEMBER 12, 2002

SURVEYOR NOTE:
BEARINGS AND DISTANCES SHOWN HEREON ARE BASED ON THE SONTERRA HORIZONTAL CONTROL NETWORK AND ARE GRID VALUES (TEXAS STATE PLANE COORDINATE SYSTEM, CENTRAL ZONE 4203, NAD83/93). VERTICAL DATUM BASED ON NGVD88 (TO CONVERT TO SURFACE VALUES, MULTIPLY BY A COMBINED SCALE FACTOR OF 1.00018171).

SONTERRA MUNICIPAL UTILITY DISTRICT BOUNDARY

DRAWN BY: ECH	CHECKED BY: BLB
SCALE: NOT TO SCALE	
DATE: NOVEMBER 7, 2006	
JOB NUMBER	SHEET
06-205	1 OF 1

PHOTOGRAPHS OF THE DISTRICT



OPEN
HOUSE


APPENDIX A

AUDITED FINANCIAL STATEMENT OF THE DISTRICT
FOR TWELVE-MONTHS ENDED SEPTEMBER 30, 2023

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Sonterra Municipal Utility District
Williamson County, Texas

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Member of
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants

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.

Board of Directors
Sonterra Municipal Utility District

Supplementary Information

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

Other Information

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

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

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

March 18, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

SONTERRA MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2023

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34 the management of Sonterra Municipal Utility District (the "District") offers the following discussion and analysis to provide an overview of the District's financial activities for the year ended September 30, 2023. Since this information is designed to focus on the current year's activities, resulting changes, and currently known facts, it should be read in conjunction with the District's financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund*: At the end of the current fiscal year, the fund balance in the General Fund was $16,425,892, an increase of $2,777,612 from the previous fiscal year. General Fund revenues decreased from $15,661,392 in the previous fiscal year to $11,965,346 in the current fiscal year due to a decrease of impact fees and connection fees offset with an increase in service revenues, property taxes resulting from rising property values in the District and interest income.
- *Debt Service Fund*: Fund balance restricted for debt service increased from $2,878,946 at the end of the previous fiscal year to $3,147,641 in the current fiscal year. Debt Service Fund revenues increased from $5,937,960 in the previous fiscal year to $6,518,599 in the current fiscal year due to an increase in the District's assessed valuation and interest income. The District made bond principal payments of $3,540,158 and bond interest payments of $2,667,896 during the current fiscal year.
- *Capital Projects Fund*: Fund balance restricted for capital projects decreased from $3,549,530 in the previous fiscal year to $2,758,827 in the current fiscal year. The Capital Projects Fund issued $8,400,000 of Series 2022 Unlimited Tax and Revenue Bonds and expended $8,355,424 for the purchase of infrastructure, $295,431 to fund developer interest and $756,533 for the costs of bond issuance.
- *Governmental Activities*: On a government-wide basis for governmental activities, the District had revenues net of expenses of $5,140,567 during the current fiscal year. Net position increased from $12,698,938 at September 30, 2022 to $17,839,505 at September 30, 2023.

OVERVIEW OF THE DISTRICT

The District was created by an Act of the 79th Texas Legislature effective September 1, 2005. The District operates under Chapters 49 and 54 of the Texas Water Code, as amended. The District, which consists of approximately 1,300 acres of land, is located along the eastern boundary of IH-35 and runs south of FM 487 to north of CR315 near the City of Jarrell and approximately 10 miles north of the City of Georgetown.

USING THIS ANNUAL REPORT

This annual report consists of five parts:

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

For purposes of GASB Statement No. 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 "Governmental Funds 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.

The combined statements also include fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District has three governmental fund types. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The Debt Service Fund accounts for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

OVERVIEW OF THE BASIC 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 balances 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.

OVERVIEW OF THE FINANCIAL STATEMENTS (continued) -

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 adopted budget and its actual results.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase
	2023	2022	(Decrease)
Current and Other Assets	$ 26,873,080	$ 24,944,205	$ 1,928,875
Capital and Intangible Assets	96,034,285	89,206,508	6,827,777
Total Assets	122,907,365	114,150,713	8,756,652
Deferred Outflows of Resources	397,377	500,123	(102,746)
Current Liabilities	8,424,522	8,504,068	(79,546)
Long-term Liabilities	97,040,715	93,447,830	3,592,885
Total Liabilities	105,465,237	101,951,898	3,513,339
Net Investment in Capital Assets	(893,683)	(2,636,697)	1,743,014
Restricted	2,276,711	1,654,758	621,953
Unrestricted	16,456,477	13,680,877	2,775,600
Total Net Position	$ 17,839,505	$ 12,698,938	$ 5,140,567

The District's net position increased from $12,698,938 in the previous fiscal year to $17,839,505 in the current fiscal year. The District's unrestricted net position at September 30, 2023, which can be used to finance day to day operations, totaled $16,456,477.

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

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities 2023	Governmental Activities 2022	Change Increase (Decrease)
Property taxes	$ 7,423,824	$ 6,825,064	$ 598,760
Service revenues	8,642,857	13,309,099	(4,666,242)
Parks & recreation fees	1,360,811	1,238,986	121,825
Other	1,296,328	268,994	1,027,334
Total Revenues	18,723,820	21,642,143	(2,918,323)
Service operations expenses	10,311,168	9,763,428	547,740
Debt service expenses	3,272,085	3,345,955	(73,870)
Total Expenses	13,583,253	13,109,383	473,870
Change in Net Position	5,140,567	8,532,760	(3,392,193)
Beginning Net Position	12,698,938	4,166,178	8,532,760
Ending Net Position	$ 17,839,505	$ 12,698,938	$ 5,140,567

Revenues were $18,723,820 for the fiscal year ended September 30, 2023 while expenses were $13,583,253. Net position increased by $5,140,567 during the current fiscal year.

Property taxes totaled $7,423,824 in the current fiscal year. Included in these taxes are real and personal property taxes which are assessed October 1 and payable before the following January 31.

The District's assessed value in fiscal year 2023 (the 2022 tax year) was approximately $1.034 billion compared to $709.4 million in fiscal year 2022 (the 2021 tax year). The tax rate is set after reviewing the operating and debt service requirements and appraised values determined by Williamson Central Appraisal District. The ad valorem tax rate for fiscal year 2023 was $0.7150 per $100 of assessed valuation and was $0.9475 per $100 of assessed valuation for fiscal year 2022. The District's primary revenue sources are service account fees, park and recreation fees, and property taxes.

ANALYSIS OF GOVERNMENTAL FUNDS

For the fiscal year ended September 30, 2023, the District's governmental funds reflected combined fund balances of $22,332,360, an increase of $2,255,604 from last year. Of this increase, General Fund fund balance increased by $2,777,612 due to property tax, service revenues and interest exceeding operating expenditures.

The Debt Service Fund reflects an increase of $268,695 in fund balance during fiscal year 2023. The Debt Service Fund remitted bond principal of $3,540,158 and interest of $2,667,896 during fiscal year 2023. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Projects Fund purchases the District's infrastructure. The Capital Projects Fund had a $790,703 decrease in fund balance for fiscal year 2023. The Capital Projects Fund received $8,400,000 from the issuance of Series 2022 Unlimited Tax and Revenue Bonds and expended $8,355,424 for the purchase of infrastructure, $295,431 to fund developer interest and $756,533 for the costs of bond issuance.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget for the General Fund on September 12, 2022 and did not amend the budget. The budget included revenues of $9,665,598 as compared to expenditures of $11,545,640 for the current fiscal year. When comparing actual results to the budget, the District had a positive variance of $4,657,654 that was primarily attributable to service, impact fees and interest income in excess of the budget and a decrease compared to budget for capital outlay due to capital projects delayed until a subsequent fiscal year. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information.*

CAPITAL ASSETS

As of September 30, 2023, the District's governmental activities had invested $66,228,036 in infrastructure. The detail is reflected in the following schedule:

Summary of Capital Assets, net

	9/30/2023	9/30/2022
Capital Assets Not Being Depreciated:		
Land	$ 1,237,209	$ 1,233,309
Construction in progress	4,707,853	2,767,304
Capital Assets, Net of Accumulated Depreciation:		
Water and Wastewater System	59,580,998	54,256,018
Office Building	271,555	278,958
Pool & Clubhouse	428,657	384,402
Furniture, Fixtures & Equipment	1,764	5,179
Total Net Capital Assets	$ 66,228,036	$ 58,925,170

More detailed information about the District's capital assets is presented in the *Notes to the Financial Statements*.

LONG TERM DEBT

As of September 30, 2023, the District had total bond debt payable of $66,670,062. The changes in the bonded debt position of the District during the fiscal year ended September 30, 2023, are summarized as follows:

Bonded debt payable, October 1, 2022	$ 61,810,220
Add: Series 2022 bond sale	8,400,000
Less: Bond principal paid	(3,540,158)
Bonded debt payable, September 30, 2023	$ 66,670,062

The ratio of the District's long-term debt to the total taxable assessed valuation ($1,033,549,460) is 6.5%. The District's estimated population as provided by the District was 13,255 at October 7, 2022.

In addition to the bonded debt discussed above, the District has $553,278 of capital leases payable at September 30, 2023 related to lease purchase agreements for a pool and the District office building. The District also has $2,425,000 of long-term debt payable to the Lone Star Regional Water Authority (the "Authority") for use in acquiring, by purchase and construction, certain water storage and transmission facilities to serve the District. Finally, the District has $29,806,249 of long-term financing obligations payable to the Authority to help finance construction of the water supply system to serve the District; the District has a corresponding, offsetting $29,806,249 intangible asset for the right to receive water service from the Authority.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The property tax assessed value for fiscal year 2024 (the 2023 tax year) is approximately $1.190 billion. The fiscal year 2024 tax rate is $0.7035 on each $100 of taxable value. Approximately 18% of the property tax will fund general operating expenses and approximately 82% of the property tax will be set aside for debt service.

The adopted budget for fiscal year 2024 projects an operating fund balance decrease of $2,279,575, which includes capital projects using $2,440,000 of impact fees.

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

SONTERRA MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
ASSETS						
Cash	$ 265,186	$ -	$ 155,205	$ 420,391	$ -	$ 420,391
Investments	16,546,353	3,183,153	4,984,262	24,713,768	-	24,713,768
Receivables:						
Property taxes	6,212	35,581	-	41,793	-	41,793
Service accounts, net of allowance for uncollectible accounts of $10,947	847,471	-	-	847,471	-	847,471
Other	75,659	-	-	75,659	-	75,659
Intergovenmental	725,638	-	-	725,638	-	725,638
Due from other funds	197,397	-	-	197,397	(197,397)	-
Prepaid costs	3,987	-	20,000	23,987	24,373	48,360
Intangible assets (net of accumulated amortization) - Right to receive water service	-	-	-	-	29,806,249	29,806,249
Capital assets (net of accumulated depreciation):						
Land	-	-	-	-	1,237,209	1,237,209
Construction in progress	-	-	-	-	4,707,853	4,707,853
Water and wastewater system	-	-	-	-	59,580,998	59,580,998
Office building	-	-	-	-	271,555	271,555
Pool & clubhouse	-	-	-	-	428,657	428,657
Furniture, fixtures and equipment	-	-	-	-	1,764	1,764
TOTAL ASSETS	$ 18,667,903	$ 3,218,734	$ 5,159,467	$ 27,046,104	95,861,261	122,907,365
DEFERRED OUTFLOWS OF RESOURCES						
Deferred charges on refunding bonds	-	-	-	-	397,377	397,377
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$ 18,667,903	$ 3,218,734	$ 5,159,467	$ 27,046,104	96,258,638	123,304,742
LIABILITIES						
Accounts payable	$ 1,007,385	$ 31,237	$ 17,025	$ 1,055,647	-	1,055,647
Accrued interest payable	-	-	-	-	906,511	906,511
Deferred revenue	94,704	-	-	94,704	-	94,704
Retainage payable	-	-	396,068	396,068	-	396,068
Due to developer	-	-	1,794,425	1,794,425	-	1,794,425
Due to other funds	-	4,275	193,122	197,397	(197,397)	-
Review fee deposits	10,161	-	-	10,161	-	10,161
Security deposits	1,123,549	-	-	1,123,549	-	1,123,549
Long-term liabilities:						
Facility financing obligation - Lone Star Regional Authority, due within one year	-	-	-	-	553,072	553,072
Facility financing obligation - Lone Star Regional Authority, due after one year	-	-	-	-	29,253,177	29,253,177
Debt payable - Lone Star Regional Water Authority, due within one year	-	-	-	-	105,000	105,000
Debt payable - Lone Star Regional Water Authority, due after one year	-	-	-	-	2,320,000	2,320,000
Capital leases payable, due within one year	-	-	-	-	208,636	208,636
Capital leases payable, due after one year	-	-	-	-	344,642	344,642
Bonds payable, due within one year	-	-	-	-	2,176,749	2,176,749
Bonds payable, due after one year	-	-	-	-	65,122,896	65,122,896
TOTAL LIABILITIES	2,235,799	35,512	2,400,640	4,671,951	100,793,286	105,465,237
DEFERRED INFLOWS OF RESOURCES						
Deferred revenue - property taxes	6,212	35,581	-	41,793	(41,793)	-
FUND BALANCES / NET POSITION						
Fund balances:						
Nonspendable	3,987	-	-	3,987	(3,987)	-
Restricted for:						
Debt service	-	3,147,641	-	3,147,641	(3,147,641)	-
Capital projects	-	-	2,758,827	2,758,827	(2,758,827)	-
Assigned for:						
Impact Fees Assigned for Future Obligations	3,954,217	-	-	3,954,217	(3,954,217)	-
Fiscal Year 2024 Budget Deficit	2,279,575	-	-	2,279,575	(2,279,575)	-
Unassigned	10,188,113	-	-	10,188,113	(10,188,113)	-
TOTAL FUND BALANCES	16,425,892	3,147,641	2,758,827	22,332,360	(22,332,360)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	$ 18,667,903	$ 3,218,734	$ 5,159,467	$ 27,046,104		
Net position:						
Net investment in capital assets					(893,683)	(893,683)
Restricted for debt service					2,276,711	2,276,711
Unrestricted					16,456,477	16,456,477
TOTAL NET POSITION					$ 17,839,505	$ 17,839,505

The accompanying notes are an integral part of this statement.

SONTERRA MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Property taxes, including penalties and interest	$ 1,194,490	$ 6,232,420	$ -	$ 7,426,910	$ (3,086)	$ 7,423,824
Water service	4,026,230	-	-	4,026,230	-	4,026,230
Wastewater service	2,511,894	-	-	2,511,894	-	2,511,894
Impact fees	416,500	-	-	416,500	-	416,500
Contract reservation fees	703,454	-	-	703,454	-	703,454
Penalty and interest	206,758	-	-	206,758	-	206,758
Inspection and tap fees	778,021	-	-	778,021	-	778,021
Park and recreation fees	1,360,811	-	-	1,360,811	-	1,360,811
Investment revenues	664,726	286,179	242,961	1,193,866	-	1,193,866
Miscellaneous revenues	102,462	-	-	102,462	-	102,462
TOTAL REVENUES	11,965,346	6,518,599	242,961	18,726,906	(3,086)	18,723,820
EXPENDITURES / EXPENSES:						
Service operations:						
Parks and recreation salaries, repairs and maintenance expenditures	1,164,450	-	-	1,164,450	-	1,164,450
Professional fees	371,130	3,518	-	374,648	-	374,648
Contracted services	1,690,594	33,580	-	1,724,174	-	1,724,174
Purchased water service	1,187,748	-	-	1,187,748	-	1,187,748
Purchased wastewater service	1,941,876	-	-	1,941,876	-	1,941,876
Utilities	166,813	-	-	166,813	-	166,813
Repair and maintenance	898,010	-	-	898,010	-	898,010
Depreciation and amortization	-	-	-	-	1,898,754	1,898,754
Developer interest	-	-	295,431	295,431	-	295,431
Other	654,512	4,752	-	659,264	-	659,264
Capital outlay	371,107	-	8,355,424	8,726,531	(8,726,531)	-
Debt service:						
Principal	227,495	3,540,158	-	3,767,653	(3,767,653)	-
Interest	513,999	2,667,896	-	3,181,895	(666,343)	2,515,552
Bond issuance costs	-	-	756,533	756,533	-	756,533
TOTAL EXPENDITURES / EXPENSES	9,187,734	6,249,904	9,407,388	24,845,026	(11,261,773)	13,583,253
Excess (deficit) of revenues over (under) expenditures / expenses	2,777,612	268,695	(9,164,427)	(6,118,120)	11,258,687	5,140,567
OTHER FINANCING SOURCES (USES):						
Proceeds from issuance of long-term debt	-	-	8,400,000	8,400,000	(8,400,000)	-
Bond premium	-	-	80,742	80,742	(80,742)	-
Bond discount	-	-	(107,018)	(107,018)	107,018	-
TOTAL OTHER FINANCING SOURCES, NET	-	-	8,373,724	8,373,724	(8,373,724)	-
CHANGE IN FUND BALANCES/ NET POSITION	2,777,612	268,695	(790,703)	2,255,604	2,884,963	5,140,567
FUND BALANCES / NET POSITION:						
Beginning of the year	13,648,280	2,878,946	3,549,530	20,076,756	(7,377,818)	12,698,938
End of the year	$ 16,425,892	$ 3,147,641	$ 2,758,827	$ 22,332,360	$ (4,492,855)	$ 17,839,505

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Sonterra Municipal Utility District (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 was created by an Act of the 79th Texas Legislature effective September 1, 2005. The District was created and organized for the purpose of constructing water, sewer and drainage facilities and providing water, sewer, drainage and solid waste services to residential and commercial establishments within the District. The District is also authorized to provide park and recreational facilities. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the "Board") which has been elected by District residents or appointed by the Board. The District is not included in any other governmental "reporting entity" as defined by GASB, since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District's reporting entity.

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

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Presentation - Government-wide and Fund Financial Statements (continued) -

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

The 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 adopted 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. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District's capital assets, including infrastructure.

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

- **Fund Financial Statements:**

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Governmental Fund Types (continued) -

- **Debt Service Fund** - The Debt Service Fund is used to account for 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 restricted, committed or assigned for the acquisition or construction of major capital facilities.

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 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.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Basis of Accounting (continued) -

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

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

Budgets and Budgetary Accounting - An unappropriated budget was adopted on September 12, 2022, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board of Directors utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and amended budget amounts, if amended, compared to the actual amounts of revenues and expenditures for the current year.

Cash and Cash Equivalent Investments - Cash and cash equivalents include cash on deposit as well as investments with original maturities of three months or less. The investments, consisting of obligations in the State Comptroller's investment pool, are recorded at amortized cost.

Accounts Receivable - The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management's evaluation of accounts receivable. All amounts considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. The District had an allowance for uncollectible accounts of $10,947 at September 30, 2023.

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

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

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Intangible Assets - Intangible assets, which consists of the right to receive water service, are reported in the government-wide column in the Statement of Net Position. Intangible assets are valued at the same amount as the outstanding facility financing obligation due to Lone Star Regional Water Authority and will be amortized down corresponding to principal and interest payments made to the Authority on the facility financing obligation. See Note 11 for information concerning the facility financing obligation and corresponding right to receive water service from Lone Star Regional Water Authority.

Capital Assets - Capital assets, which include land and land improvements, construction in progress, the water and wastewater system, the District office building, pool and clubhouse, and furniture, fixtures and equipment, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their estimated acquisition value on the date donated. Repairs and maintenance are recorded as expenditures in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset. Interest costs, including developer interest, are not capitalized as part of the asset. Impact fees are amortized over the life of the applicable contract.

Assets are capitalized, including infrastructure assets, if they have an original cost greater than $5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives are as follows:

	Years
Water and Wastewater System	40-50
Office Building	30
Pool and Clubhouse	10-30
Furniture, Fixtures and Equipment	7-10

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and original issue discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

Bond issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures in both the government-wide and the fund financial statements.

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is intent to repay that amount and if the debtor fund has the ability to repay the advance on a timely basis. Operating transfers represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

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

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

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

- *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.
- *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 has assigned $3,954,217 of fund balance for future obligations to be paid from impact fees and $2,279,575 for the fiscal year 2024 budget deficit.
- *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

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		$ 22,332,360
Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:		
Intangible assets, net of accumulated amortization		29,806,249
Capital assets, net of accumulated depreciation		66,228,036
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.		41,793
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds:		
Facility financing obligation - Lone Star Regional Water Authority	$ (29,806,249)	
Debt payable - Lone Star Regional Water Authority	(2,425,000)	
Capital leases	(553,278)	
Bonds payable, net	(67,299,645)	
Bond insurance premium, net	24,373	
Deferred charges on refundings, net	397,377	
Accrued bond interest payable	(906,511)	(100,568,933)
Net Position - Governmental Activities		$ 17,839,505

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS (continued) –

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		$ 2,255,604
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Capital expenditures in period purchased	$ 8,726,531	
Principal payments on long-term debt, bonds and capital leases in year paid	3,767,653	
Interest expenditures in year paid	666,343	
Tax revenue when collected	(3,086)	
Bond sales and refunding activity and related bond discounts/premiums in year of issuance	(8,373,724)	4,783,717
Governmental funds do not report - Depreciation/amortization		(1,898,754)
Change in Net Position - Governmental Activities		$ 5,140,567

3. CASH, CASH EQUIVALENTS AND 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 must be held by independent third party trustees.

Cash and Deposits - At September 30, 2023, the carrying amount of the District's deposits was $420,391 and the bank balance was $631,068. Of the bank balance, $416,158 was covered by FDIC insurance and the remaining balance was covered by other collateral pledged in the name of the District held in a third-party depository.

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) –

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

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

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

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

At September 30, 2023, the District held the following cash equivalents and investments:

		Weighted	Investment Rating	
Investment	Value at 9/30/2023	Average Maturity (Days)	Rating	Rating Agency
TexPool	$ 24,713,768	1	AAAm	Standard & Poors

3. CASH, CASH EQUIVALENTS AND INVESTMENTS (continued) –

The Comptroller of Public Accounts is the sole officer and director of the Texas Treasury Safekeeping Trust Company, which is authorized to operate the Texas Local Government Investment Pool ("TexPool"). Although TexPool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. TexPool also has an advisory board to advise on TexPool's investment policy. This board is made up equally of participants and nonparticipants who do not have a business relationship with TexPool. Federated Hermes, Inc. is the investment manager for the pool and manages daily operations of TexPool under a contract with the Comptroller. TexPool's investment policy stipulates that it must invest in accordance with the Public Funds Investment Act. 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.

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. At September 30, 2023, the District's investment in TexPool was rated AAAm by Standard & Poor's Rating Agency.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District considers the investment in TexPool to have a maturity of less than one year due to the fact the share position can usually be redeemed each day at the discretion of the District, unless there has been a significant change in value.

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 Williamson Central Appraisal District establishes appraised values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Williamson County Tax Assessor Collector bills and collects the District's property taxes. The Board set the tax rates for the 2023 fiscal year (2022 tax year) on September 12, 2022.

4. PROPERTY TAXES (continued) –

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2022 tax roll. The 2022 tax rate, based on total taxable assessed valuation of $1,033,549,460, was $0.715 on each $100 valuation and was allocated $0.115 to the General Fund and $0.600 to the Debt Service Fund. The voters of the District approved the levy and collection of a maintenance tax at a maximum of $1.00 on November 8, 2005.

Property taxes receivable at September 30, 2023, consisted of the following:

	General Fund	Debt Service Fund	Total
Current year levy	$ 2,794	$ 14,576	$ 17,370
Prior years' levies	3,418	21,005	24,423
	$ 6,212	$ 35,581	$ 41,793

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

5. INTERFUND ACCOUNTS

A summary of interfund accounts, which resulted from the time lag between dates that payments are made between funds, is as follows at September 30, 2023:

	Interfund Receivables	Interfund Payables
General Fund:		
Debt Service Fund	$ 4,275	$ -
Capital Projects Fund	193,122	-
Debt Service Fund -		
General Fund	-	4,275
Capital Projects Fund -		
General Fund	-	193,122
	$ 197,397	$ 197,397

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2022	Additions	Deletions	Balance 9/30/2023
Capital assets not being depreciated:				
Land	$ 1,233,309	$ 3,900	$ -	$ 1,237,209
Construction in progress	2,767,304	1,940,549	-	4,707,853
Total capital assets not being depreciated	4,000,613	1,944,449	-	5,945,062
Capital assets being depreciated:				
Water and Wastewater System	60,928,527	6,671,850	-	67,600,377
Office Building	465,000	10,122	-	475,122
Pool & Clubhouse	750,043	100,110	-	850,153
Furniture, Fixtures and Equipment	54,730	-	-	54,730
Total capital assets being depreciated	62,198,300	6,782,082	-	68,980,382
Less accumulated depreciation for:				
Water and Wastewater System	(6,672,509)	(1,346,870)	-	(8,019,379)
Office Building	(186,042)	(17,525)	-	(203,567)
Pool & Clubhouse	(365,641)	(55,855)	-	(421,496)
Furniture, Fixtures and Equipment	(49,551)	(3,415)	-	(52,966)
Total accumulated depreciation	(7,273,743)	(1,423,665)	-	(8,697,408)
Capital assets being depreciated, net	54,924,557	5,358,417	-	60,282,974
Total capital assets, net of accumulated depreciation	$ 58,925,170	$ 7,302,866	$ -	$ 66,228,036

7. DEFERRED OUTFLOWS OF RESOURCES

The following is a summary of changes in deferred outflows of resources for the year ended September 30, 2023:

Deferred charges on refundings - October 1, 2022	$ 500,123
Retirements from Series 2013, 2015 and 2020 refundings	(102,746)
Deferred charges on refundings - September 30, 2023	$ 397,377

8. LONG-TERM DEBT

The following is a summary of bond transactions of the District as of and for the year ended September 30, 2023:

	Unlimited Tax and Refunding Bonds
Bonds payable at October 1, 2022	$ 61,810,220
Bonds issued	8,400,000
Bonds retired	(3,540,158)
Bond premium/discount, net of accumulated amortization	629,583
Bonds payable at September 30, 2023	$ 67,299,645

Bonds payable at September 30, 2023, were comprised of the following issues:

Unlimited Tax Bonds:

$6,225,000 - 2014 Unlimited Tax Bonds payable serially through the year 2039 at interest rates which range from 3.00% to 4.00%. Bonds maturing on or after August 15, 2023 are callable prior to maturity beginning on August 15, 2022. Bonds maturing August 15, 2028, 2036 and 2039 are term bonds and are subject to mandatory sinking fund redemption.

$3,935,000 – 2015 Unlimited Tax Bonds payable serially through the year 2040 at interest rates which range from 3.00% to 4.00%. Bonds maturing on or after August 15, 2023 are callable prior to maturity beginning on August 15, 2022. Bonds maturing August 15, 2026, 2028, 2030, 2038 and 2040 are term bonds and are subject to mandatory sinking fund redemption.

$4,905,000 - 2016 Unlimited Tax Bonds payable serially through the year 2041 at interest rates which range from 2.50% to 3.50%. Bonds maturing on or after August 15, 2025 are callable prior to maturity beginning on August 15, 2023. Bonds maturing August 15, 2025, 2027, 2030, 2033 and 2041 are term bonds and are subject to mandatory sinking fund redemption.

$5,790,000 - 2018 Unlimited Tax Bonds payable serially through the year 2042 at interest rates which range from 3.00% to 3.375%. Bonds maturing on or after August 15, 2025 are callable prior to maturity beginning on August 15, 2024. Bonds maturing August 15, 2030, 2039 and 2042 are term bonds and are subject to mandatory sinking fund redemption.

$5,290,000 - 2019 Unlimited Tax Bonds payable serially through the year 2043 at interest rates which range from 2.00% to 3.25%. Bonds maturing on or after August 15, 2025 are callable prior to maturity beginning on August 15, 2024.

8. LONG-TERM DEBT (continued) –

$13,225,000 - 2020 Unlimited Tax Bonds payable serially through the year 2044 at interest rates which range from 3.625% to 6.50%. Bonds maturing on or after August 15, 2026 are callable prior to maturity beginning on August 15, 2025. Bonds maturing August 15, 2035, 2037, 2039 and 2044 are term bonds and are subject to mandatory sinking fund redemption.

$4,185,000 - 2020A Unlimited Tax Bonds payable serially through the year 2045 at interest rates which range from 2.00% to 3.00%. Bonds maturing on or after August 15, 2026 are callable prior to maturity beginning on August 15, 2025. Bonds maturing August 15, 2033 and 2045 are term bonds and are subject to mandatory sinking fund redemption

$10,790,000 - 2021 Unlimited Tax Bonds payable serially through the year 2046 at interest rates which range from 2.00% to 4.00%. Bonds maturing on or after August 15, 2027 are callable prior to maturity beginning on August 15, 2026. Bonds maturing August 15, 2040, 2042 and 2046 are term bonds and are subject to mandatory sinking fund redemption

$6,700,000 - 2022 Unlimited Tax Bonds payable serially through the year 2043 at interest rates which range from 4.00% to 5.00%. Bonds maturing on or after August 15, 2029 are callable prior to maturity beginning on August 15, 2027. Bonds maturing August 15, 2029 are term bonds and are subject to mandatory sinking fund redemption

<u>Unlimited Tax Refunding Bonds</u>:

$65 - 2013 Unlimited Tax Refunding Bonds payable serially through the year 2024 at an interest rate of 5.00%. Bonds maturing on or after August 15, 2026 are callable prior to maturity beginning on August 15, 2020. Bonds maturing August 15, 2026, 2028, 2030 and 2033 are term bonds and are subject to mandatory sinking fund redemption.

$2,200,000 - 2015 Unlimited Tax Refunding Bonds payable serially through the year 2034 at interest rates which range from 3.00% to 3.20%. Bonds maturing on or after August 15, 2024 are callable prior to maturity beginning on August 15, 2022.

$3,424,997 - 2020 Unlimited Tax Refunding Bonds payable serially through the year 2036 at interest rates which range from 2.00% to 2.75%. Bonds maturing on or after August 15, 2026 are callable prior to maturity beginning on August 15, 2025.

On December 20, 2022, the District issued $8,400,000 of Series 2022 Unlimited Tax and Revenue Bonds (the "Bonds") with interest rates ranging from 4.00% to 5.00%. The net proceeds of $7,561,148 (after payment of underwriter's fees, the bond discount, and bond issuance costs) were used to finance Developer funded construction of water, wastewater and drainage facilities that serve the District and to fund subsequent issuance costs.

8. LONG-TERM DEBT (continued) –

The annual requirements to amortize all bonded debt at September 30, 2023, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series Principal	Interest	Total
2024	$ 2,176,749	$ 2,561,339	$ 4,738,088
2025	2,293,313	2,450,001	4,743,314
2026	2,690,000	2,045,115	4,735,115
2027	2,790,000	1,946,427	4,736,427
2028	2,880,000	1,850,476	4,730,476
2029 - 2033	16,015,000	7,773,048	23,788,048
2034 - 2038	17,985,000	5,099,895	23,084,895
2039 - 2043	16,545,000	2,007,559	18,552,559
2044 - 2046	3,295,000	149,195	3,444,195
	$ 66,670,062	$ 25,883,055	$ 92,553,117

A portion of the Series 2013 and Series 2020 Unlimited Tax and Revenue Refunding Bonds are capital appreciation bonds, commonly referred to as "premium compound interest bonds". These bonds were issued at a discount to their par or maturity value and will accrete interest until maturity. The interest shown above includes the interest to be paid on the bonds maturing in the respective years and does not include accrued interest on bonds not maturing in those years. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount. At September 30, 2023, accreted interest payable on these premium compound interest bonds totaled $629,250.

$3,147,641 is available in the Debt Service Fund to service the bonded debt as of September 30, 2023. As of September 30, 2023, the District has authorized but unissued unlimited tax bonds in the amount of $35,055,000, which can be issued for water, sewer and drainage facilities, and $15,000,000, which can be issued for park and recreational facilities. The District may also issue refunding bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

9. GROUNDWATER SUPPLY CONTRACT

On June 16, 2005 LSARGP, LLC, and Sonterra Development LLC entered into a Lease of Right to Pump and Use Groundwater (the "Groundwater Lease") granting Sonterra Development LLC the right to pump and use groundwater from certain property owned by LSARGP, LLC. Sonterra Development LLC subsequently assigned its rights, as lessee, under the Groundwater Lease, to the District.

By Amendment No. 1 to Lease of Right to Pump and Use Groundwater dated effective May 19, 2008, LSARGP, LLC and the District amended the Groundwater Lease to, among other things, add additional acreage to the property subject to and extend the term of the Groundwater Lease. In exchange for the right to access the surface of LSARGP's property to drill, operate and maintain wells on the property and to produce groundwater from the property, the District agreed to pay LSARGP quarterly lease payments based on the greater of (i) the actual amount of groundwater pumped from the wells or (ii) the minimum annual amount of lease payments provided in the table below. The term of the Groundwater Lease began September 1, 2005 and extends for a period of forty years through December 31, 2045. During the year ended September 30, 2023, the District recognized expenditures to LSARGP of $38,138 for groundwater pumped from the wells on LSARGP's property. As of September 30, 2023, the future minimum payment requirements related to the groundwater lease were as follows:

Fiscal Year		Payment
2024	$	8,000
2025		8,000
2026		8,600
2027		8,800
2028		8,800
2029-2033		51,425
2034-2038		58,875
2039-2043		61,375
2044-2046		28,125
	$	242,000

10. WASTEWATER SERVICE AGREEMENT

Effective December 23, 2008, the District entered into an Agreement for Wholesale Wastewater Service (the "Wastewater Agreement") with the City of Jarrell (the "City"). The Wastewater Agreement has been amended by the First Amendment to the Agreement for Wholesale Wastewater Service dated effective September 23, 2009, the Second Amendment to Agreement for Wholesale Wastewater Service dated effective as of November 23, 2009, the Third Amendment to Agreement for Wholesale Wastewater Service dated effective as of February 20, 2018, the Fourth Amendment to Agreement for Wholesale Wastewater Service dated effective as of July 25, 2019, and the Fifth Amendment to Agreement for Wholesale Wastewater Service dated effective as of June 21, 2021.

10. WASTEWATER SERVICE AGREEMENT (continued) –

In accordance with the Wastewater Agreement, as amended, the City has committed to accept and treat up to 3,000,000 gallons per day of wastewater from development within the District. Under the Wastewater Agreement, as amended, the District pays the City a one-time wastewater treatment access fee, currently $1,720 per living unit equivalent, and a monthly volume charge, currently $7.60 per 1,000 gallons. Prior to October 2019, monthly volume charges were calculated based on metered wastewater flows, but the monthly volume charges are now calculated based on winter-average water usage within the District, in accordance with the Fourth Amendment. During the current fiscal year, the District recognized expenditures to the City of $1,941,876 for volume charges in relation to actual wastewater flows.

11. WATER SUPPLY AND FACILITIES FINANCING CONTRACT – LONE STAR REGIONAL WATER AUTHORITY

Water Supply Agreement

On September 1, 2015, the District entered into a Water Supply Agreement with the Lone Star Regional Water Authority (the "Authority"), the City of Jarrell (the "City"), and Jarrell-Schwertner Water Supply Corporation ("JSWSC") for the purchase and delivery of treated water obtained by the Authority from the Brazos River Authority's (the "BRA") Granger Lake Treatment Facility pursuant to a Water Supply Agreement with the BRA (the "BRA Contract") under which the BRA agreed to provide treated water to the Authority. The Water Supply Agreement has been amended by a First Amendment to Water Supply Agreement dated effective March 18, 2019. Under the Water Supply Agreement, as amended, the District, the City and JSWSC (the "Participants") share in the fixed operating costs of the Authority based on each participant's percentage of shared capacity on an annual basis. In addition, on a monthly basis, each Participant is to pay water supply expenses to the Authority based on its proportionate share of the minimum annual payment payable by the Authority to the BRA for the minimum amount of treated water required to be taken by the Authority under the BRA Contract plus the charge for any water delivered to it in excess of its proportionate share. The Authority agrees to deliver treated water from BRA to the Participants up to the maximum quantities under the amended pro rata capacity allocations as follows:

The District	5.7 MGD	54.2857%
City of Jarrell	3.3 MGD	31.4286%
Jarrell-Schwertner Water Supply Corporation	1.5 MGD	14.2857%

During the year ended September 30, 2023, the District recognized expenditures to the Authority of $1,149,610 for operating costs pertaining to the receipt of treated water from the Authority as well as usage costs.

11. WATER SUPPLY AND FACILITIES FINANCING CONTRACT - LONE STAR REGIONAL WATER AUTHORITY (continued) –

Water Facilities Acquisition, Construction and Financing Contract

On September 1, 2015, the District entered into a Water Facilities Acquisition, Construction and Financing Contract (the "Water Facilities Financing Contract") with the Authority to facilitate the acquisition, by purchase and construction, of certain water system facilities to render wholesale water services to the District pursuant to the above mentioned Water Supply Agreement. The Water Facilities Financing Contract was amended by the First Amendment to the Water Facilities Acquisition, Construction and Financing Contract dated effective March 18, 2019. Under the Water Facilities Financing Contract, the Authority has issued bonds to construct the East Williamson County Regional Water Transmission System (the "Project") to supply treated water to the District, the City and JSWSC. The District, along with the City and JSWSC, are obligated under the Water Facilities Financing Contract to share in principal and interest payments due on the bonds issued by the Authority specific to the acquisition, construction and financing of the Project pursuant to the pro rata capacity allocations noted above. In exchange, the District and other participants in the Water Facilities Financing Contract have a right to receive water service from the Authority as noted above pursuant to the Water Supply Agreement. At September 30, 2023, the District has recognized an intangible asset of $29,806,249, which corresponds to its outstanding facility financing obligation noted below.

At September 30, 2023, the Authority has $28,300,000 of bond principal outstanding related to the Project. For the year ended September 30, 2023, the District paid $475,089 to the Authority for its proportionate share of principal and interest payments due on the Project bonds. As of September 30, 2023, the District's future facility financing (debt service) obligations due to the Authority for the Project bonds under the Water Facilities Financing Contract are as follows:

Fiscal Year	5.7 MGD Pro Rata Share
2024	$ 553,072
2025	625,440
2026	697,701
2027	698,249
2028	698,511
2029-2033	5,710,590
2034-2038	6,125,987
2039-2043	6,394,803
2044-2048	6,086,413
2049-2050	2,215,483
	$ 29,806,249

12. DEBT PAYABLE – LONE STAR REGIONAL WATER AUTHORITY

On June 1, 2015, the District entered into a Water System Facilities Installment Sale Contract (the "LSRWA Facilities Contract") with the Authority whereby the Authority agreed to sell $3,165,000 in Contract Revenue Bonds and make those proceeds, net of issuance costs, available to the District for its use to acquire, by purchase and construction, certain water storage and transmission facilities to serve the District. Under the terms of the LSRWA Facilities Contract, the District will own the facilities once they are completed and placed into service. In exchange, the District has agreed to make all debt service payments required to repay the bonds. To secure this obligation, the District has pledged all of the gross revenues derived from the operation of its waterworks and sanitary sewer utility system. In the event such gross revenues are not sufficient for making the required payments, the District is obligated to make such payments from other sources of its General Fund.

During the year ended September 30, 2023, the District paid the Authority $200,388 in principal and interest payments on the outstanding debt, of which $100,000 was for principal and $100,388 was for interest.

As of September 30, 2023, the debt service requirements related to the LSRWA Facilities Contract are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 105,000	$ 97,388	$ 202,388
2025	110,000	93,188	203,188
2026	110,000	88,788	198,788
2027	115,000	84,938	199,938
2028	120,000	80,913	200,913
2029-2033	675,000	333,038	1,008,038
2034-2038	815,000	185,988	1,000,988
2039-2040	375,000	24,013	399,013
	$ 2,425,000	$ 988,254	$ 3,413,254

13. LEASE OF OFFICE SPACE

In August 2018, the District entered into an agreement to lease 2,500 square feet of office space to the Jarrell Library. The original term of the lease agreement was 36 months ending August 31, 2021, and was extended annually through December 31, 2022. In December 2022, the District agreed to extend the lease term through December 31, 2024 at a monthly rate of $2,080 per month in addition to the library's pro rata share of operating and maintenance expenses of the office space. Effective January 1, 2023, the District waived the monthly rental payments due from the Jarrell Library from January 1, 2023 through December 31, 2024. During the year ended September 30, 2023, the District recognized income of $6,702 for the library lease.

14. CAPITAL LEASES

On November 1, 2010, the District entered into a lease purchase agreement to facilitate the purchase of an office building at a purchase price of $465,000. Under the agreement, the District has agreed to pay equal monthly installments of $2,788, representing both principal and interest, over a period of thirty years to acquire the office building. The lease accrues interest at 6.00% annually.

On June 1, 2011 (as amended on September 11, 2017), the District entered into a lease purchase agreement to facilitate the purchase of a pool at a purchase price of $350,000. Under the agreement, the District has agreed to pay equal monthly installments of $2,714, representing both principal and interest, through July 8, 2024 at which point all unpaid principal and interest is due in a lump-sum payment of $182,874. The lease accrues interest at 7.00% annually.

During the year ended September 30, 2023, the District made capital lease principal and interest payments totaling $66,017, of which $29,781 was for principal and $36,236 was for interest. As of September 30, 2023, the future payment requirements related to the capital leases are as follows:

Fiscal Year	Principal	Interest	Total
2024	$ 208,636	$ 32,115	$ 240,751
2025	13,134	20,321	33,455
2026	13,944	19,511	33,455
2027	14,804	18,651	33,455
2028	15,717	17,738	33,455
2029-2033	94,378	72,897	167,275
2034-2038	127,301	39,973	167,274
2039-2041	65,364	4,333	69,697
	$ 553,278	$ 225,539	$ 778,817

15. PROVISION OF RETAIL WATER AND WASTEWATER SERVICES

Effective October 1, 2019, the District entered into an Amended and Restated Agreement for the Provision of Retail Water and Wastewater Services, as amended, with Cool Water Municipal Utility District ("Cool Water MUD"), under which the District agrees to provide retail water and wastewater services to the approximately 312.94 acres of property and land within Cool Water MUD as described in the agreement. As part of the consideration under this agreement, Cool Water MUD agrees to make, or cause to be made, certain contract payments to the District, calculated to pay Cool Water MUD's prorata share, based on the approved living unit equivalents of service, of the debt service on certain District facilities required to provide water and wastewater service to Cool Water MUD. During the year ended September 30, 2023, the District billed and received contract payments totaling $334,120 from the developers of the land in Cool Water MUD.

Effective September 1, 2020, the District entered into an Agreement for the Provision of Retail Water and Wastewater Services with Cool Water Municipal Utility District (formerly known as Eastwood Municipal Utility District) ("Eastwood"), under which the District agrees to provide retail water and wastewater services to the approximately 282.314 acres of property and land within Eastwood as described in the agreement. As part of the consideration under this agreement, Eastwood agrees to make, or cause to be made, certain contract payments to the District, calculated to pay Eastwood's prorata share, based on the approved living unit equivalents of service, of the debt service on certain District facilities required to provide water and wastewater service to Eastwood. During the year ended September 30, 2023, the District billed and received contract payments totaling $369,334 from the developers of the land in Eastwood.

16. COMMITMENTS AND CONTINGENCIES

The developers of the land within the District have incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues or from operations, subject to approval by the Commission. On November 8, 2005, a bond election held within the District approved authorization to issue $71,480,000 of bonds for the purpose of purchasing, constructing or otherwise acquiring water, wastewater and drainage system facilities to serve the District. Moreover, on May 1, 2021, a bond election held within the District approved authorization to issue an additional $45,000,000 of bonds for the purpose of purchasing, constructing or otherwise acquiring water, wastewater and drainage system facilities to serve the District along with $15,000,000 of bonds for the purpose of purchasing, constructing or otherwise acquiring park and recreational facilities. As of September 30, 2023, the District has issued $81,425,000 of unlimited tax bonds to reimburse the developers for water, wastewater and drainage improvements. As of September 30, 2023, the District has not issued any bonds to reimburse the developers for parks and recreational facilities.

17. RISK MANAGEMENT

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

The TML Pool was established by various political subdivisions in Texas to provide self-insurance for its members and to obtain lower costs for insurance. TML Pool members pay annual contributions to obtain the insurance. Annual contribution rates are determined by the TML Pool Board. Rates are estimated to include all claims expected to occur during the policy including claims incurred but not reported. The TML Pool has established claims reserves for each of the types of insurance offered. Although the TML Pool is a self-insured risk pool, members are not contingently liable for claims filed above the amount of the fixed annual contributions. If losses incurred are significantly higher than actuarially estimated, the TML Pool adjusts the contribution rate for subsequent years. Members may receive returns of contributions if actual results are more favorable than estimated.

REQUIRED
SUPPLEMENTARY INFORMATION

SONTERRA MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2023

	Actual	Budget	Variance Positive (Negative)
REVENUES:			
Property taxes, including penalties and interest	$ 1,194,490	$ 1,185,107	$ 9,383
Water service	4,026,230	3,348,170	678,060
Wastewater service	2,511,894	2,269,150	242,744
Contract reservation fees	703,454	703,454	-
Penalty and interest	206,758	90,000	116,758
Inspection and tap fees	778,021	820,000	(41,979)
Park and recreation fees	1,360,811	1,093,584	267,227
Investment revenues	664,726	72,100	592,626
Impact fees	416,500	-	416,500
Miscellaneous revenues	102,462	84,033	18,429
TOTAL REVENUES	11,965,346	9,665,598	2,299,748
EXPENDITURES:			
Service operations:			
Parks and recreation salaries, repairs and maintenance expenditures	1,164,450	1,369,088	204,638
Professional fees	371,130	349,000	(22,130)
Contracted services	1,690,594	1,704,852	14,258
Purchased water service	1,187,748	1,082,793	(104,955)
Purchased wastewater service	1,941,876	2,093,295	151,419
Utilities	166,813	176,400	9,587
Repair and maintenance	898,010	687,093	(210,917)
Other	654,512	882,605	228,093
Capital outlay	371,107	2,594,800	2,223,693
Debt service:			
Principal	227,495	197,714	(29,781)
Interest	513,999	408,000	(105,999)
TOTAL EXPENDITURES	9,187,734	11,545,640	2,357,906
CHANGE IN FUND BALANCE	2,777,612	$ (1,880,042)	$ 4,657,654
FUND BALANCE:			
Beginning of the year	13,648,280		
End of the year	$ 16,425,892		

APPENDIX B

FORM OF BOND COUNSEL'S OPINION

[*An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.*]

SONTERRA MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS, SERIES 2025
IN THE AGGREGATE PRINCIPAL AMOUNT OF $_________

AS BOND COUNSEL FOR SONTERRA MUNICIPAL UTILITY DISTRICT (the "District") of the bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, until maturity or redemption, at the rates and payable on the dates specified in the text of the Bonds all in accordance with the order of the Board of Directors of the District adopted on _______________, 2025, authorizing the issuance of the Bonds (the "Order").

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

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

THE DISTRICT reserves the right to issue additional bonds which will be payable from taxes; bonds, notes, and other obligations payable from revenues; and bonds payable from contracts with other persons, including private corporations, municipalities, and political subdivisions.

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

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

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

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

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

Respectfully,