

NEW ISSUE-BOOK-ENTRY-ONLY

RATINGS: AGM Insured: S&P “AA” (Stable Outlook), Moody’s “A1” (Stable Outlook)
Underlying Rating: Moody’s “Baa2”
See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE”

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the District, 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 of such opinion, subject to the matters described under “TAX MATTERS” herein, including the alternative minimum tax on certain corporations.

THE DISTRICT HAS DESIGNATED THE BONDS AS QUALIFIED TAX-EXEMPT OBLIGATIONS. See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.

\$4,450,000
STONEWALL RANCH MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Williamson County, Texas)
UNLIMITED TAX BONDS, SERIES 2024

Dated: February 7, 2024

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

Interest on the \$4,450,000 Stonewall Ranch Municipal Utility District Unlimited Tax Bonds, Series 2024 (the “Bonds”) will accrue from the Date of Initial Delivery, defined below, and is payable September 1, 2024, and each March 1 and September 1 thereafter until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent/registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”). The Bonds are obligations solely of Stonewall Ranch Municipal Utility District (the “District”) and are not obligations of the City of Liberty Hill, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. (“AGM”). See “BOND INSURANCE.”



**MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS,
REDEMPTION PROVISIONS AND CUSIP NUMBERS**
(see inside cover page)

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable solely 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. See “THE BONDS - Source of and Security for Payment.” This cover page contains information for quick reference only and is not a summary of the Bonds. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. INVESTMENT IN THE BONDS IS SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS DESCRIBED HEREIN. See “INVESTMENT CONSIDERATIONS.”

The Bonds are offered by the initial purchaser (the “Initial Purchaser”) subject to prior sale, when, as and if issued by the District and accepted by the Initial Purchaser, subject to, among other things, the approval of the initial Bond by the Attorney General of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Austin, Texas (“Bond Counsel”). Delivery of the Bonds is expected through the facilities of DTC on or about February 7, 2024 (the “Date of Initial Delivery”) in Austin, Texas.

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, REDEMPTION PROVISIONS AND CUSIP NUMBERS

(Due September 1)

CUSIP Prefix: 861879

Due September 1	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)	Due September 1	Principal Amount	Interest Rate ^(a)	Initial Reoffering Yield ^(b)	CUSIP Suffix ^(c)
2024	\$ 5,000	5.000%	3.300%	JH8	2041	* \$ 200,000	3.750%	3.750%	KA1
2025	5,000	5.000%	3.200%	JJ4	2042	* 200,000	3.750%	3.850%	KB9
2026	5,000	5.000%	3.150%	JK1	2043	* 200,000	4.000%	3.850%	KC7
2027	5,000	5.000%	3.050%	JL9	2044	* 200,000	4.000%	3.900%	KD5
2028	5,000	5.000%	3.050%	JM7	2045	* 200,000	4.000%	4.000%	KE3
2029	100,000	5.000%	3.050%	JN5	2046	* 200,000	4.000%	4.030%	KF0
2030	100,000	5.000%	3.050%	JP0	2047	* 225,000	4.000%	4.066%	KG8
2031	* 125,000	5.000%	3.100%	JQ8	2048	* 1,375,000	4.000%	4.130%	KH6
2032	* 125,000	3.125%	3.300%	JR6					
2033	* 125,000	3.125%	3.350%	JS4					
2034	* 125,000	3.250%	3.400%	JT2					
***	***	***	***	***					
\$300,000 3.375% ^(a) Term Bond Due September 1, 2036* Yield 3.500% ^(b) CUSIP Suffix JV7 ^(c)									
\$300,000 3.500% ^(a) Term Bond Due September 1, 2038* Yield 3.600% ^(b) CUSIP Suffix JX3 ^(c)									
\$325,000 3.500% ^(a) Term Bond Due September 1, 2040* Yield 3.700% ^(b) CUSIP Suffix JZ8 ^(c)									

* Redemption Provisions: The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 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 Term Bonds maturing September 1, 2036, September 1, 2038, and September 1, 2040 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. See "THE BONDS - Redemption."

- (a) After requesting competitive bids for purchase of the Bonds, the District has accepted the lowest bid to purchase the Bonds, bearing interest as shown, at a price of 97.275% of par, resulting in a net effective interest rate to the District of 4.031433%.
- (b) The initial reoffering yields indicated represent the lower of the yields resulting when priced to maturity or the first redemption date. The initial yields at which the Bonds will be priced will be established by and will be the sole responsibility of the Initial Purchaser. The yields may be changed at any time at the discretion of the Initial Purchaser.
- (c) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services provided by CUSIP Global Services. None of the Initial Purchaser, the District, or Public Finance Group LLC, the District's financial advisor (the "Financial Advisor"), is responsible for the selection or correctness of the CUSIP numbers set forth herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "BOND INSURANCE" and "APPENDIX C - Specimen Municipal Bond Insurance Policy".

TABLE OF CONTENTS

MATURITY SCHEDULE, INTEREST RATES, INITIAL YIELDS, REDEMPTION PROVISIONS AND CUSIP NUMBERS.....	2	THE SYSTEM.....	35
USE OF INFORMATION IN OFFICIAL STATEMENT	4	Regulation.....	35
SALE AND DISTRIBUTION OF THE BONDS.....	4	Water Supply and Distribution.....	35
Award of the Bonds.....	4	Wastewater Collection and Treatment.....	35
Prices and Marketability.....	4	100-Year Flood Plain.....	36
Securities Laws.....	5	Water, Wastewater and Drainage Operations - Rates and Fees – Table 1.....	36
MUNICIPAL BOND RATINGS.....	5	Operating Revenues and Expenses Statement - Table 2.....	37
BOND INSURANCE	5	DEBT SERVICE REQUIREMENTS – TABLE 3	38
Bond Insurance Policy.....	5	FINANCIAL STATEMENT.....	39
Assured Guaranty Municipal Corp.....	5	Assessed Value – Table 4.....	39
OFFICIAL STATEMENT SUMMARY.....	8	Unlimited Tax Bonds Authorized but Unissued - Table 5.....	39
THE DISTRICT.....	8	Outstanding Bonds - Table 6.....	40
THE BONDS.....	8	Cash and Investment Balances - Table 7.....	40
INVESTMENT CONSIDERATIONS.....	10	Investment Authority and Investment Practices of the District	40
SELECTED FINANCIAL INFORMATION.....	11	Current Investments - Table 8.....	42
OFFICIAL STATEMENT.....	12	Estimated Overlapping Debt Statement.....	42
INTRODUCTION.....	12	Overlapping Taxes for 2023.....	43
THE BONDS.....	12	TAX DATA.....	43
General Description.....	12	Classification of Assessed Valuation - Table 9	43
Redemption.....	12	Tax Collections - Table 10.....	44
Selection of Bonds for Redemption.....	13	District Tax Rates - Table 11	44
DTC Redemption Provision	13	Debt Service Tax.....	44
Termination of Book-Entry-Only System	14	Maintenance Tax.....	44
Authority for Issuance.....	14	Principal Taxpayers - Table 12.....	45
Source of and Security for Payment	15	Tax Adequacy for Debt Service.....	45
Payment Record.....	15	Debt Service Fund Management Index	46
Flow of Funds.....	15	TAXING PROCEDURES	46
Paying Agent/Registrar	16	Authority to Levy Taxes	46
Defeasance of Outstanding Bonds.....	16	Property Tax Code and County Wide Appraisal District.....	46
Record Date.....	17	Property Subject to Taxation by the District	46
Issuance of Additional Debt.....	17	Valuation of Property for Taxation	47
Legal Investment and Eligibility to Secure Public Funds in Texas.....	17	District and Taxpayer Remedies	48
Specific Tax Covenants.....	18	Levy and Collection of Taxes.....	48
Additional Covenants.....	18	Tax Payment Installments	49
Remedies in Event of Default.....	18	Rollback of Operation and Maintenance Tax Rate.....	49
Consolidation.....	19	District's Rights In The Event Of Tax Delinquencies.....	50
Annexation.....	19	Effect of FIRREA on Tax Collections.....	50
Alteration of Boundaries	19	LEGAL MATTERS.....	50
Approval of the Bonds	19	Legal Opinions.....	50
Amendments to the Bond Order.....	19	No-Litigation Certificate.....	51
BOOK-ENTRY-ONLY SYSTEM.....	20	No Material Adverse Change.....	51
USE AND DISTRIBUTION OF BOND PROCEEDS	22	TAX MATTERS	51
INVESTMENT CONSIDERATIONS.....	23	Opinion.....	51
General.....	23	Federal Income Tax Accounting Treatment of Original Issue Discount.....	51
Factors Affecting Taxable Values and Tax Payments	23	Collateral Federal Income Tax Consequences.....	52
Tax Collections and Foreclosure Remedies.....	24	State, Local and Foreign Taxes	53
Registered Owners' Remedies	24	Information Reporting and Backup Withholding	53
Marketability.....	25	Future and Proposed Legislation	53
Bankruptcy Limitation to Registered Owners' Rights.....	25	Qualified Tax-Exempt Obligations for Financial Institutions.....	53
The Effect of the Financial Institutions Act of 1989 on Tax Collections of the District	25	CONTINUING DISCLOSURE OF INFORMATION	53
Continuing Compliance with Certain Covenants.....	25	Annual Reports	54
Future Debt	26	Notice of Certain Events	54
Governmental Approval.....	26	Availability of Information from the MSRB	55
Forward-Looking Statements.....	26	Limitations and Amendments	55
Environmental Regulation.....	27	Compliance with Prior Undertakings	55
Potential Impact of Natural Disaster.....	28	FINANCIAL ADVISOR.....	55
Future and Proposed Legislation	28	OFFICIAL STATEMENT.....	55
State Legislative Changes.....	29	Preparation.....	55
Drought Conditions.....	29	Consultants.....	56
Storm Water.....	29	Updating the Official Statement During Underwriting Period.....	56
Bond Insurance Risks.....	29	Certification as to Official Statement	56
LOCATION MAP.....	30	Annual Audits.....	57
THE DISTRICT.....	31	PHOTOGRAPHS	
General.....	31	APPENDIX A –Audited Financial Statements of the District for the fiscal year ended September 30, 2022	
Management.....	31	APPENDIX B – Form of Bond Counsel Opinion	
Location	32	APPENDIX C – Specimen Municipal Bond Insurance Policy	
Historical and Current Status of Development	32		
Future Development.....	33		
Annexation of the District	33		
THE DEVELOPER	34		
Role of Developer.....	34		
Description of the Developer.....	34		
Homebuilder within the District.....	34		
Utility Construction Agreement	34		
Agricultural Waiver.....	34		

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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.

The information set forth herein has been obtained from the District and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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 for purposes of, and as that term is defined in, Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule").

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 Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT - Updating the Official Statement During Underwriting Period."

The statements contained in this 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 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. See "INVESTMENT CONSIDERATIONS – Forward-Looking Statements."

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

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

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid of Raymond James & Associates, Inc. (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.275% of par. No assurance can be given that any trading market will be developed for the Bonds after their sale by the District to the Initial Purchaser. The District has no control over the price at which the Bonds are subsequently sold, and the initial yields at which the Bonds are priced and reoffered are established by and are the sole responsibility of the Initial Purchaser.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the District of a certificate executed and delivered by the Initial Purchaser on or before the Date of Initial Delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity has been sold to the public. For this purpose, the term "public" shall not include any person who is a bond house, broker, or

similar person acting in the capacity of underwriter or wholesaler. Otherwise, the District has no understanding with the Initial Purchaser regarding the reoffering yields or prices of the Bonds. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

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

The District has no control over the 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 municipal utility district bonds may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional municipal entities, as bonds of such entities are more generally bought, sold, or traded in the secondary market.

Securities Laws

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION (THE "SEC") NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED THE BONDS OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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

MUNICIPAL BOND RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") assigned an insured rating of "AA" (stable outlook), and Moody's Investors Service, Inc. ("Moody's") is expected to assign an insured rating of "A1" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "Baa2" to the Bonds.

An explanation of the significance of a rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such company, and the District makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if, in the judgement of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and participates in the asset management business through ownership

interests in Sound Point Capital Management, LP and related entities. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

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

Current Financial Strength Ratings

On October 20, 2023, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 13, 2023, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of AGM

At September 30, 2023:

- The policyholders' surplus of AGM was approximately \$2,569 million.
- The contingency reserve of AGM was approximately \$908 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty UK Limited ("AGUK") and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA ("AGE").

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

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023);
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023 (filed by AGL with the SEC on August 9, 2023); and

- (iv) the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2023 (filed by AGL with the SEC on November 8, 2023).

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

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

Miscellaneous Matters

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

[The remainder of this page intentionally left blank]

OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. Potential investors must read this entire Official Statement to obtain information essential to making an informed investment decision. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement. Investment in the Bonds is subject to certain investment considerations. See “INVESTMENT CONSIDERATIONS.”

THE DISTRICT

The District.....	Stonewall Ranch Municipal Utility District (the “District”), a political subdivision of the State of Texas, was created by order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”), effective March 28, 2006, and confirmed pursuant to an election held within the District on November 7, 2006. The District was created for the purpose of providing, operating, and maintaining facilities to control storm water, distribute potable water, collect, and treat wastewater, and providing and operating parks and recreational facilities, and operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. See “THE DISTRICT – General.”
Location	The District, which encompasses approximately 282.37 acres of land, is located in northwest Williamson County, Texas and lies approximately 1.5 miles east of downtown of the City of Liberty Hill, Texas (the “City” or “Liberty Hill”), 8 miles west of the City of Georgetown, Texas (“Georgetown”), and 30 miles northwest of downtown of the City of Austin, Texas (“Austin”). The District is located in the northwest segment of the intersection of State Highway 29 and US 183. The District is contained entirely within the extraterritorial jurisdiction of Liberty Hill and access to the District is provided by State Highway 29. See “THE DISTRICT - Location.”
The Developer	The developer currently active within the District is WLH Communities – Texas LLC (formerly called RSI Stonewall LLC), a Delaware limited liability company (“WLH” or the “Developer”), an affiliate of RSI Communities - Texas LLC, a Delaware limited liability company, also an affiliate of RSI Communities LLC and RSI Holding, LLC, both Delaware limited liability companies, and a wholly owned subsidiary of Taylor Morrison Homes (formerly William Lyon Homes). See “THE DEVELOPER - Description of the Developer” and “THE DISTRICT – Historical and Current Status of Development.”
Status of Development	Of the approximately 282.37 acres within the District, approximately 280.22 are developable. As of December 1, 2023, approximately 263.89 acres (or approximately 94.17% of the developable acreage within the District) have been or are currently being developed with utility facilities. Residential development includes the single-family residential subdivisions of Stonewall Ranch Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14, on approximately 248.87 acres, encompassing a total of 1,042 single family lots, which includes 778 completed homes, 22 homes under construction, and 242 vacant single-family lots. Other developments within the District include an elementary school on approximately 13.56 acres, which is exempt from ad valorem taxation, and a pump station on approximately 1.46 acres. The District contains approximately 2.15 of undevelopable acres, consisting of parks and open spaces. As of December 1, 2023, there were approximately 16.34 remaining developable acres within the District. See “THE DISTRICT – Historical and Current Status of Development.”
Homebuilder.....	According to the Developer, the homebuilder currently active within the District is Taylor Morrison Homes. The homes range in price from approximately \$325,315 to \$475,000, with square footage ranging from approximately 1,435 to 2,707. See “THE DEVELOPER – Homebuilder within the District.”

THE BONDS

Description	The \$4,450,000 Stonewall Ranch Municipal Utility District Unlimited Tax Bonds, Series 2024 (the “Bonds”) in the aggregate principal amount of \$4,450,000 mature serially in varying amounts on September 1 of each year from 2024 through 2034, inclusive, and from 2041 through 2048, inclusive, and as Term Bonds which mature on September 1, 2036, September 1, 2038, and September 1, 2040 (collectively, the “Term Bonds”). Interest accrues from the Date of Initial Delivery at the rates per annum set forth on the inside cover page hereof and is payable September 1, 2024, and each March 1 and September 1 thereafter until maturity or earlier redemption. The
-------------------	---

Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See “THE BONDS - General Description.”

Redemption	The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 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 Term Bonds are also subject to mandatory sinking fund redemption. See “THE BONDS - Redemption.”
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 upon all taxable property within the District. See “TAXING PROCEDURES.” The Bonds are obligations solely of the District and are not obligations of the City of Liberty Hill, Texas; Williamson County, Texas; the State of Texas; or any entity other than the District. See “THE BONDS - Source of and Security for Payment.”
Payment Record	The District has previously issued eight installments of new money unlimited tax bonds and one installment of refunding unlimited tax bonds. The District has made timely payment on its previously issued \$2,000,000 Unlimited Tax Bonds, Series 2009 (the “Series 2009 Bonds”); \$1,000,000 Unlimited Tax Bonds, Series 2011 (the “Series 2011 Bonds”); \$2,845,000 Unlimited Tax Refunding Bonds, Series 2015 (the “Series 2015 Bonds”); \$1,580,000 Unlimited Tax Bonds, Series 2016 (the “Series 2016 Bonds”); \$2,600,000 Unlimited Tax Bonds, Series 2018 (the “Series 2018 Bonds”); \$3,500,000 Unlimited Tax Bonds, Series 2019 (the “Series 2019 Bonds”); \$3,000,000 Unlimited Tax Bonds, Series 2020 (the “Series 2020 Bonds”); \$2,500,000 Unlimited Tax Bonds, Series 2021 (the “Series 2021 Bonds”); and \$4,250,000 Unlimited Tax Bonds, Series 2022 (the “Series 2022 Bonds” and, collectively, the “Previously Issued Bonds”). The proceeds of each series of the new money Previously Issued Bonds included twenty-four (24) months of capitalized interest. After the issuance of the Bonds, the District will have \$22,955,000 aggregate principal amount of bonds outstanding (the “Outstanding Bonds”). See “FINANCIAL STATEMENT - Outstanding Bonds – Table 6.”
Authority for Issuance	The Bonds are issued pursuant to Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 7, 2006; the approving order of the TCEQ; and an order adopted by the Board of Directors of the District on the date of the sale of the Bonds authorizing the issuance of the Bonds (the “Bond Order”). See “THE BONDS - Authority for Issuance.”
Use of Proceeds.....	<p>The proceeds of the Bonds will be used to finance the following: (i) a portion of costs for water, wastewater, and drainage facilities to serve Stonewall Ranch Section 13; (ii) land acquisition costs; and (iii) water, wastewater, and drainage facilities to serve Stonewall Ranch Section 11.</p> <p>The remaining Bond proceeds will be used to: (i) capitalize approximately twelve (12) months' interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay other costs associated with the issuance of the Bonds. See “USE AND DISTRIBUTION OF BOND PROCEEDS.”</p>
Bonds Authorized But Unissued.....	At an election held within the District on November 7, 2006, voters within the District authorized a total of \$30,500,000 in aggregate principal amount of new money unlimited tax bonds for water, wastewater, and drainage facilities. The Bonds constitute the ninth installment of new money unlimited tax bonds issued by the District. After the issuance of the Bonds, the District will have \$5,620,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities. Additionally, at the election held in the District on November 7, 2006, the voters within the District approved a total of \$45,750,000 in aggregate principal amount of unlimited tax bonds for the purpose of refunding bonds issued for water, wastewater, and drainage purposes, of which \$42,905,000 remains authorized but unissued, and \$1,915,000 in aggregate principal amount of unlimited tax new money bonds for the acquisition and construction of parks and recreational facilities, all of which remain authorized but unissued. See “FINANCIAL STATEMENT – Unlimited Tax Bonds Authorized but Unissued – Table 5” , “- Outstanding Bonds – Table 6” and “THE BONDS – Issuance of Additional Debt.”

Municipal Bond Ratings and Bond Insurance.....	S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") assigned an insured rating of "AA" (stable outlook), and Moody's Investors Service, Inc. ("Moody's") is expected to assign an insured rating of "A1" (stable outlook), respectively, to the Bonds, as a result of a municipal bond insurance policy to be issued and delivered by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") at the time of delivery of the Bonds. Additionally, Moody's has assigned an underlying rating of "Baa2" to the Bonds.
Qualified Tax-Exempt Obligations	The District has designated the Bonds as "qualified tax-exempt obligations" pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended, and has represented that the total amount of tax-exempt obligations (including the Bonds) issued by it during calendar year 2024 is not reasonably expected to exceed \$10,000,000. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
Bond Counsel and Disclosure Counsel.....	McCall, Parkhurst & Horton L.L.P., Austin, Texas.
General Counsel	McLean & Howard, L.L.P., Austin, Texas.
Financial Advisor	Public Finance Group LLC, Austin, Texas.
Paying Agent / Registrar	UMB Bank, N.A., Austin, Texas.

INVESTMENT CONSIDERATIONS

The purchase and ownership of the Bonds involve certain investment considerations, and all prospective purchasers are urged to examine carefully the Official Statement, including particularly the section captioned "INVESTMENT CONSIDERATIONS," with respect to investment in the Bonds.

[The remainder of this page intentionally left blank]

SELECTED FINANCIAL INFORMATION
(Unaudited)

2023 Certified Assessed Valuation	\$ 279,266,043	(a)
Estimated Assessed Valuation as of December 1, 2023	\$ 312,680,000	(b)
Gross Debt Outstanding	\$ 22,955,000	(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation	8.22%	
Ratio of Gross Debt to Estimated Assessed Valuation as of December 1, 2023	7.34%	
2023 Tax Rate		
Debt Service	\$ 0.3430	
Maintenance	0.4200	
Total 2023 Tax Rate	<u>\$ 0.7630</u>	(d)
Debt Service Fund Balance (as of January 10, 2024)	\$ 627,134	(e)
Percentage of current tax collections (Tax Year 2023)	81.00%	(f)
Percentage of total tax collections (Tax Years 2011-2022)	99.84%	(g)
Average Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Average Requirement") (2024-2048, inclusive)	\$ 1,426,934	(h)
Tax Rate required to pay Average Requirement based upon the 2023 Certified Assessed Valuation at 95% collections	\$ 0.54	/\$100 AV
Tax Rate required to pay Average Requirement based upon the Estimated Assessed Valuation as of December 1, 2023, at 95% collections	\$ 0.49	/\$100 AV
Maximum Annual Debt Service Requirement of the Bonds and the Outstanding Bonds ("Maximum Requirement") (2031)	\$ 1,498,981	(h)
Tax Rate required to pay Maximum Requirement based upon the 2023 Certified Assessed Valuation at 95% collections	\$ 0.57	/\$100 AV
Tax Rate required to pay Maximum Requirement based upon the Estimated Assessed Valuation as of December 1, 2023, at 95% collections	\$ 0.51	/\$100 AV
Number of active connections as of December 1, 2023		
Single Family Homes - Complete & Occupied	777	
Single Family Homes - Builder & Unoccupied	<u>23</u>	
Total Number of Active Connections		800
Estimated Population as of December 1, 2023		2,331 (i)

- (a) The certified assessed valuation as of January 1, 2023, as provided by Williamson Central Appraisal District ("WCAD"). See "TAXING PROCEDURES."
- (b) The estimated assessed valuation as December 1, 2023, as provided by WCAD, is included solely for purposes of illustration. Taxes are levied on value as certified by WCAD as of January 1 of each year. Consequently, this estimate will not be used to produce the tax revenue for the District. See "TAXING PROCEDURES."
- (c) Includes the Bonds.
- (d) The District levied a 2023 tax rate of \$0.7630 at its meeting in September 2023. See "TAXING PROCEDURES."
- (e) Unaudited as of January 10, 2024. Does not include approximately twelve (12) months' capitalized interest (\$179,399) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.
- (f) As of December 31, 2023. In the process of collection and due without penalty by January 31, 2024. See "TAX DATA – Tax Collections – Table 10."
- (g) See "TAX DATA – Tax Collections – Table 10."
- (h) See "DEBT SERVICE REQUIREMENTS – TABLE 3."
- (i) Based upon 3.0 residents per completed and occupied single family home.

OFFICIAL STATEMENT
relating to
\$4,450,000
STONEWALL RANCH MUNICIPAL UTILITY DISTRICT
(A Political Subdivision of the State of Texas Located in Williamson County, Texas)
UNLIMITED TAX BONDS, SERIES 2024

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Stonewall Ranch Municipal Utility District (the “District”), a political subdivision of the State of Texas (the “State”), of its \$4,450,000 Unlimited Tax Bonds, Series 2024 (the “Bonds”).

The Bonds are issued pursuant to an order adopted by the Board of Directors of the District on the date of the sale of the Bonds authorizing the issuance of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Texas Constitution, and the general laws of the State, including Chapters 49 and 54 of the Texas Water Code, as amended; a bond election held within the District on November 7, 2006; and the approving order of the Texas Commission on Environmental Quality (the “TCEQ” or the “Commission”).

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

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. A reasonable number of copies of such documents may be obtained from the District c/o McLean & Howard, L.L.P., 4301 Bull Creek Road Ste. 150, Austin, Texas 78731, or from the District’s Financial Advisor, Public Finance Group LLC, 500 W. 2nd Street, Suite 1900, Austin, Texas, 78701, upon payment of reasonable copying, mailing, and handling charges.

This Official Statement speaks only as of its date, and the information contained herein is subject to change. A copy of this Official Statement will be submitted to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access (EMMA) system. See “CONTINUING DISCLOSURE OF INFORMATION” and “OFFICIAL STATEMENT – Updating the Official Statement During Underwriting Period” for a description of the District undertaking to provide certain information on a continuing basis.

THE BONDS

General Description

The Bonds will bear interest from the Date of Initial Delivery and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover page hereof. Interest on the Bonds will be paid on September 1, 2024, and each March 1 and September 1 thereafter until maturity or earlier redemption and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company (“DTC”), New York, New York, acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The initial paying agent and registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the “Paying Agent” or “Paying Agent/Registrar”).

Redemption

Optional Redemption... The District reserves the right to redeem, prior to maturity, in integral multiples of \$5,000, those Bonds maturing on and after September 1, 2031, in whole or from time to time in part, on September 1, 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.

Mandatory Sinking Fund Redemption.... In addition to being subject to optional redemption, as provided above, the Bonds maturing on September 1, 2036, September 1, 2038, and September 1, 2040 (the “Term Bonds”) are subject to mandatory sinking fund redemption prior to maturity in the following amounts, on the following dates and at a price of par plus accrued interest to the redemption date from amounts required to be deposited in the Debt Service Fund:

\$300,000 Term Bond Maturing September 1, 2036	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2035	\$150,000
2036*	150,000

\$300,000 Term Bond Maturing September 1, 2038	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2037	\$150,000
2038*	150,000

\$325,000 Term Bond Maturing September 1, 2040	
Mandatory Redemption	Principal
<u>Date</u>	<u>Amount</u>
2039	\$150,000
2040*	175,000

*Stated Maturity

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 for cancellation, (2) shall have been purchased and cancelled by the Paying Agent at the request of the District, with monies in the Debt Service Fund at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory sinking fund redemption requirement.

Notice of Redemption . . . At least 30 calendar days prior to the date fixed for any optional redemption of Bonds, or portions thereof prior to maturity, a written notice of such redemption shall be sent by the Paying Agent by United States mail, first-class postage prepaid to the registered owner of each Bond to be redeemed at its address as it appeared on the 45th calendar day prior to such redemption date and to major securities depositories and bond information services.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Bond Order have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be optionally redeemed have been received by the Paying Agent prior to the giving of such notice of redemption, such notice will state that said optional 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 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 will give notice in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Selection of Bonds for Redemption

If less than all of the Bonds are called for redemption, the particular Bonds, or portions thereof, or sinking fund installments in the case of the Term Bonds, to be redeemed shall be selected and designated by the District, and if less than all of a maturity, or sinking fund installment in the case of the Term Bonds, is to be redeemed, the Paying Agent/Registrar shall determine by lot or other customary random method the Bonds, or portions thereof within such maturity to be redeemed (provided that a portion of a Bond may be redeemed only in integral multiples of \$5,000 principal amount); provided, that during any period in which ownership of the Bonds is determined only by a book entry at a securities depository for the Bonds, if fewer than all of the Bonds of the same maturity, or sinking fund installment in the case of the Term Bonds, and bearing the same interest rate are to be redeemed, the particular Bonds of such maturity, such interest rate and such sinking fund installment in the case of the Term Bonds shall be selected in accordance with the arrangements between the District and the securities depository.

DTC Redemption Provision

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, as herein defined, or of any Direct Participant or Indirect Participant, as herein defined, to notify the beneficial owner, shall not affect the validity of the redemption of Bonds called for redemption or any other action premised on 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 Bonds held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Bonds and such redemption 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 the 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 Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Bonds for redemption.

Termination of Book-Entry-Only System

The District is initially utilizing the book-entry-only system of DTC ("Book-Entry-Only System"). See "BOOK-ENTRY-ONLY SYSTEM." In the event that the Book-Entry-Only System is discontinued by DTC or the District, the following provisions will be applicable to the Bonds.

Payment . . . Principal of the Bonds will be payable at maturity to the registered owners as shown by the registration books maintained by the Paying Agent upon presentation and surrender of the Bonds to the Paying Agent at the designated office for payment of the Paying Agent in Austin, Texas (the "Designated Payment/Transfer Office"). Interest on the Bonds will be payable by check or draft, dated as of the applicable interest payment date, sent by the Paying Agent by United States mail, first-class, postage prepaid, to the registered owners at their respective addresses shown on such records, or by such other method acceptable to the Paying Agent requested by registered owner at the risk and expense of the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday, or day on which banking institutions in the city where the Designated Payment/Transfer Office of the Paying Agent is located are required or authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not a Saturday, Sunday, legal holiday, or day on which banking institutions are required or authorized to close, and payment on such date shall for all purposes be deemed to have been made on the original date payment was due.

Registration. . . If the Book-Entry-Only System is discontinued, the Bonds may be transferred and re-registered on the registration books of the Paying Agent only upon presentation and surrender thereof to the Paying Agent at the Designated Payment/Transfer Office. A Bond also may be exchanged for a Bond or Bonds of like maturity and interest and having a like aggregate principal amount or maturity amount, as the case may, upon presentation and surrender at the Designated Payment/Transfer Office. All Bonds surrendered for transfer or exchange must be endorsed for assignment by the execution by the registered owner or his duly authorized agent of an assignment form on the Bonds or other instruction of transfer acceptable to the Paying Agent. Transfer and exchange of Bonds will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such transfer or exchange. A new Bond or Bonds, in lieu of the Bond being transferred or exchanged, will be delivered by the Paying Agent to the registered owner, at the Designated Payment/Transfer Office of the Paying Agent or by United States mail, first-class, postage prepaid. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer in the denominations of \$5,000 or any integral multiple thereof.

Limitation on Transfer of Bonds . . . Neither the District nor the Paying Agent shall be required to make any transfer, conversion or exchange to an assignee of the registered owner of the Bonds (i) during the period commencing on the close of business on the fifteenth (15th) (whether or not a business day) day of the month preceding each interest payment date (the "Record Date") and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond called for redemption, in whole or in part, within forty-five (45) days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement Bonds . . . If a Bond is mutilated, the Paying Agent will provide a replacement Bond in exchange for the mutilated bond. If a Bond is destroyed, lost, or stolen, the Paying Agent will provide a replacement Bond upon (i) the filing by the registered owner with the Paying Agent of evidence satisfactory to the Paying Agent of the destruction, loss or theft of the Bond and the authenticity of the registered owner's ownership and (ii) the furnishing to the Paying Agent of indemnification in an amount satisfactory to hold the District and the Paying Agent harmless. All expenses and charges associated with such indemnity and with the preparation, execution and delivery of a replacement Bond must be borne by the registered owner. The provisions of the Bond Order relating to the replacement Bonds are exclusive and to the extent lawful, preclude all other rights and remedies with respect to the replacement and payment of mutilated, destroyed, lost or stolen Bonds.

Authority for Issuance

At an election held within the District on November 7, 2006, voters within the District authorized a total of \$30,500,000 in aggregate principal amount of new money unlimited tax bonds for water, wastewater, and drainage facilities. The Bonds constitute the ninth installment of new money unlimited tax bonds issued by the District. After the issuance of the Bonds, the District will have \$5,620,000 aggregate principal amount of remaining authorized but unissued unlimited tax new money bonds for water, wastewater, and drainage facilities.

The Bonds are issued pursuant to the election held on November 7, 2006, the terms and provisions of the Bond Order, Chapters 49 and 54 of the Texas Water Code, as amended, and Article XVI, Section 59 of the Texas Constitution. The issuance of the Bonds has been approved by an order of the TCEQ dated October 31, 2023.

Source of and Security for Payment

The Bonds will be payable from and secured by a pledge of the proceeds of an annual ad valorem tax without legal limitation as to rate or amount levied against all taxable property located within the District. The Bond Order covenants that, while the Bonds are outstanding and the District is in existence, it will levy an annual ad valorem tax and will undertake to collect such a tax against all taxable property within the District at a rate from year to year sufficient, full allowance being made for anticipated delinquencies, together with revenues and receipts from other sources which are legally available for such purposes, to pay interest on the Bonds as it becomes due, to provide a sinking fund for the payment of principal of the Bonds when due or the redemption price at any earlier required redemption date, to pay when due the Outstanding Bonds, and any other contractual obligations of the District payable in whole or in part from taxes, and to pay the expenses of assessing and collecting such tax. The net proceeds from taxes levied to pay debt service on the Bonds and the Outstanding Bonds are required to be placed in a special account of the District designated its "Debt Service Fund" for the Bonds. The Bond Order provides for the termination of the pledge of taxes when and if the City of Liberty Hill, Texas (the "City") annexes and dissolves the District and assumes all debts and liabilities of the District.

The Bonds are obligations solely of the District and are not obligations of the City; Williamson County, Texas; the State of Texas; or any political subdivision or entity other than the District.

Payment Record

The District has previously issued eight installments of new money unlimited tax bonds and one installment of refunding unlimited tax bonds. The District has made timely payment on its previously issued \$2,000,000 Unlimited Tax Bonds, Series 2009 (the "Series 2009 Bonds"); \$1,000,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"); \$2,845,000 Unlimited Tax Refunding Bonds, Series 2015 (the "Series 2015 Bonds"); \$1,580,000 Unlimited Tax Bonds, Series 2016 (the "Series 2016 Bonds"); \$2,600,000 Unlimited Tax Bonds, Series 2018 (the "Series 2018 Bonds"); \$3,500,000 Unlimited Tax Bonds, Series 2019 (the "Series 2019 Bonds"); \$3,000,000 Unlimited Tax Bonds, Series 2020 (the "Series 2020 Bonds"); \$2,500,000 Unlimited Tax Bonds, Series 2021 (the "Series 2021 Bonds"); and \$4,250,000 Unlimited Tax Bonds, Series 2022 (the "Series 2022 Bonds" and, collectively, the "Previously Issued Bonds"). The proceeds of each series of the new money Previously Issued Bonds included twenty-four (24) months of capitalized interest. After the issuance of the Bonds, the District will have \$22,955,000 aggregate principal amount of bonds outstanding (the "Outstanding Bonds"). See "FINANCIAL STATEMENT – Outstanding Bonds – Table 6."

Flow of Funds

The Bond Order creates or confirms the creation of a Debt Service Fund and a Capital Projects Fund.

Each fund shall be kept separate and apart on the books and records of the District from all other funds of the District. The Debt Service Fund shall constitute a trust fund which shall be held in trust for the benefit of the registered owner of the Bonds and the Outstanding 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 the State 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 establishes the Debt Service Fund to be used to pay principal and interest on and Paying Agent 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 Initial Purchaser, the amount received from proceeds of the Bonds representing capitalized interest on the Bonds; (ii) District ad valorem taxes (and penalties and interest thereon) levied to pay debt service requirements on (or fees and expenses of the Paying Agent with respect to) 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 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 approved by TCEQ, then in the discretion of the Board of Directors of the District to transfer such unexpended proceeds or income to the Debt Service Fund or to utilize such funds as otherwise authorized by the TCEQ.

Paying Agent/Registrar

Principal of and semiannual interest on the Bonds will be paid by the initial Paying Agent/Registrar, UMB Bank, N.A., having an office for payment in Austin, Texas.

Any Paying Agent must be either a bank, trust company, financial institution, or other entity duly qualified and equally authorized to serve and perform the duties as paying agent and registrar for the Bonds. Provision is made in the Bond Order for the District to replace the Paying Agent by a resolution of the District giving notice to the Paying Agent of the termination of the appointment, stating the effective date of the termination and appointing a successor Paying Agent. If the Paying Agent is replaced by the District, the new Paying Agent shall be required to accept the previous Paying Agent's records and act in the same capacity as the previous Paying Agent. Any successor paying agent/registrar selected by the District shall be subject to the same qualification requirements as the Paying Agent. The successor paying agent/registrar, if any, shall be determined by the Board of Directors and written notice thereof, specifying the name and address of such successor paying agent/registrar will be sent by the District or the successor paying agent/registrar to each registered owner by first-class mail, postage prepaid.

Defeasance of Outstanding Bonds

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 within the meaning of the Bond Order (a "Defeased Bond"), except to the extent provided below for the Paying Agent to continue payments, 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 (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent 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; or (3) any combination of (1) and (2) above, and when proper arrangements have been made by the District with the Paying Agent or an eligible trust company or commercial bank for the payment of its services until after all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond, 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 and pledged, as provided in the Bond Order and such principal and interest shall be payable solely from such money or Defeasance Securities, and shall not be regarded as outstanding under the Bond Order and the District will have no further responsibility with respect to the payment of such Defeased Bonds including any insufficiency to receive payments when due on the Defeased Securities.

Any money so deposited with or made available to the Paying Agent or an eligible trust company or commercial bank also may be invested at the written direction of the District in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent 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 remitted to the District or deposited as directed in writing by the District.

Until all Defeased Bonds shall have become due and payable, the Paying Agent shall perform the services of Registrar for such Defeased Bonds 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.

For purposes of these provisions, "Defeasance Securities" means (i) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) non-callable 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 unlimited tax bonds or otherwise provide 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; (iii) non-callable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the Board of Directors adopts or approves proceedings authorizing the issuance of refunding unlimited tax bonds or otherwise provide 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 (iv) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Bonds.

Any such obligations must be certified by an independent public accounting firm, or verification agent, of national reputation to be of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to provide all debt service payments on the Bonds.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made without amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Securities will be maintained at any particular rating category.

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

Investments . . . Any escrow agreement or other instrument entered into between the District and the Paying Agent or an eligible trust company or commercial bank pursuant to which money and/or Defeasance Securities are held by the Paying Agent or an eligible trust company or commercial bank for the payment of Defeased Bonds 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 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 District, or deposited as directed in writing by the District.

Record Date

The Record Date for payment of the interest on Bonds on any regularly scheduled interest payment date is defined as the close of business on the fifteenth (15th) calendar day of the month (whether or not a business day) preceding such interest payment date.

Issuance of Additional Debt

The District may issue additional bonds or other obligations necessary to provide those improvements and facilities for which the District was created, with the approval of the TCEQ, if applicable, and, in the case of bonds payable from taxes, the District's voters. On November 7, 2006, voters within the District authorized the issuance of unlimited tax bonds for water, wastewater, and drainage facilities in the principal amount of \$30,500,000, of which \$5,620,000 principal amount will remain authorized but unissued after the issuance of the Bonds. Additionally, at the election held on November 7, 2006, the voters within the District approved a total of \$45,750,000 in aggregate principal amount of unlimited tax bonds for the purpose of refunding bonds issued for water, wastewater, and drainage purposes, of which \$42,905,000 remains authorized but unissued, and \$1,915,000 in aggregate principal amount of unlimited tax bonds for the acquisition and construction of parks and recreational facilities and unlimited tax bonds for the purpose of refunding such bonds in an amount not to exceed one and one-half times the amount of bonds issued for such purposes, all of which remain authorized but unissued. The principal amount of park bonds sold by the District is limited to 1% of the District's assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas. The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes, subject to certain conditions. Neither Texas law nor the Bond Order imposes a limitation on the amount of additional bonds which may be issued by the District. Any additional bonds issued by the District may dilute the security for the Bonds.

The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. The issuance of additional bonds may be subject to approval of the TCEQ pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

Pursuant to Section 49.186 of the Texas Water Code, bonds, notes or other obligations issued by a municipal utility district "shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the State, and all agencies, subdivisions, and instrumentalities of the State, including all counties, cities, towns, villages, school districts and all other kinds and types of districts, public agencies and bodies politic." Additionally, Section 49.186 of the Texas Water Code provides that bonds, notes, or other obligations issued by a municipal utility district are eligible and lawful security for all deposits of public funds of the State and all agencies, subdivisions, and instrumentalities of the State. For political subdivisions in Texas which have adopted

investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “MUNICIPAL BOND RATINGS” and “BOND INSURANCE.”

Specific Tax Covenants

In the Bond Order the District covenants with respect to, among other matters, the use of the proceeds of the Bonds and the manner in which the proceeds of the Bonds are to be invested. The District may omit to comply with any such covenant if it has received a written opinion of a nationally recognized bond counsel to the effect that regulations or rulings hereafter promulgated modify or expand provisions of the Internal Revenue Code of 1986, as amended (the “Code”), so that such covenant is ineffective or inapplicable or non-compliance with such covenant will not adversely affect the exemption from federal income taxation of interest on the Bonds under Section 103 of the Code.

Additional Covenants

The District additionally covenants in the Bond Order that it will keep accurate records and accounts and employ an independent certified public accountant to audit and report on its financial affairs at the close of each fiscal year, such audits to be in accordance with applicable law, rules, and regulations and open to inspection in the office of the District.

Remedies in Event of Default

The Bond Order establishes specific events of default with respect to the Bonds. If the District defaults in the payment of the principal of or interest on the Bonds when due, or the District defaults in the observance or performance of any of the covenants, conditions, or obligations of the District, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Bond Order, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the District, the Bond Order and Chapter 54 of the Texas Water Code provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the District to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Bond Order and the District's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Bond Order does not provide for the appointment of a trustee to represent the interest of the Bondholders upon any failure of the District to perform in accordance with the terms of the Bond Order, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) (“*Wasson I*”), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) (“*Wasson II*”), and together with *Wasson I*, “*Wasson*”), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the state's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question. On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the District's sovereign immunity from a suit for money damages, Bondholders may not be able to bring such a suit against the District for breach of the Bonds or Bond Order covenants. Even if a judgment against the District 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. Furthermore, the District is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Bondholders of an entity which has sought

protection under Chapter 9. Therefore, should the District avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its water system with the water system(s) of the district(s) with which it is consolidating. The revenues of the consolidated system may be pledged equally to all first lien bonds of the consolidating districts. No representation is made that the District will consolidate its water system with that of any other district.

Annexation

The District is located entirely within the extraterritorial jurisdiction of the City. Under Chapter 43 of the Texas Local Government Code, as amended, (a) a municipality may annex a district with a population of less than 200 residents only if: (i) the municipality obtains consent to annex the area through a petition signed by more than 50% of the registered voters of the district, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation; and (b) a municipality may annex a district with a population of 200 residents or more only if: (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the landowners consenting to the annexation. Notwithstanding the foregoing, a municipality may annex an area if each owner of land in the area requests the annexation. As of December 1, 2023, the District had an estimated population of 2,331, thus triggering the voter approval and/or landowner consent requirements discussed in clause (b) above. The described election and petition process does not apply, however, during the term of a strategic partnership agreement between a municipality and a district specifying the procedures for annexation of all or a portion of the District.

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

Alteration of Boundaries

In certain circumstances, under Texas law the District may alter its boundaries to: i) upon satisfying certain conditions, annex additional territory; and ii) exclude land subject to taxation within the District that does not need to utilize the service of District facilities if certain conditions are satisfied, including the District's simultaneous annexation of land of at least equal value that may be practicably served by District facilities. Such land substitution is subject to the approval of the TCEQ. No representation is made concerning the likelihood that the District will effect any change in its boundaries.

Approval of the Bonds

The TCEQ approved the issuance of the Bonds by an order signed on October 31, 2023 (the "TCEQ Order").

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

Amendments to the Bond Order

The District may, without the consent of or notice to any registered owners, amend the Bond Order in any manner not detrimental to the interest of the registered owners, including the curing of an ambiguity, inconsistency, or formal defect or omission therein. In addition, the District may, with the written consent of the owners of a majority in principal amount of the Bonds then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Bond Order, except that, without the consent of the owners of all of the Bonds affected, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof or the rate of interest therein, change the place or places at, or the coin or currency in which, any Bond or the interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds required for consent to any such amendment, addition, or rescission. In addition, a state, consistent with federal law, may within the exercise of its police powers make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of its political subdivisions as are reasonable and necessary for attainment of an important public purpose.

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 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.

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

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 rating of AA+ from S&P Global Ratings. 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 detailed 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 Financial Advisor take any responsibility for the accuracy thereof.

[The remainder of this page intentionally left blank]

USE AND DISTRIBUTION OF BOND PROCEEDS

The proceeds of the Bonds will be used to finance the following: (i) a portion of costs for water, wastewater, and drainage facilities to serve Stonewall Ranch Section 13; (ii) land acquisition costs; and (iii) water, wastewater, and drainage facilities to serve Stonewall Ranch Section 11. The remaining Bond proceeds will be used to: (i) capitalize approximately twelve (12) months' interest requirements on the Bonds; (ii) pay developer interest; and (iii) pay other costs associated with the issuance of the Bonds.

The use and distribution of Bond proceeds is set forth below. Of the proceeds to be received from the sale of the Bonds, \$3,265,892 is required for construction costs, and \$1,184,108 is required for non-construction costs, including \$179,399 of capitalized interest.

Construction Costs

A. Developer Contribution Items

1. A portion of costs for Stonewall Ranch Section 13 - W, WW & D	\$ 2,300,576
2. A portion of costs for Stonewall Ranch Section 11 - W, WW & D	685,799
3. Engineering for Item No. 2	88,186

Total Developer Contribution Items	\$ 3,074,561
---	---------------------

B. District Items

1. Land Acquisition Costs for Stonewall ranch Sec. 13 Detention Pond	\$ 191,331
--	------------

Total District Items	\$ 191,331
-----------------------------	-------------------

Total Construction Costs	\$ 3,265,892
---------------------------------	---------------------

Non-Construction Costs

A. Legal Fees (1.8%)	\$ 81,750
B. Fiscal Agent Fees (2.0%)	89,000
C. Interest	
1 Capitalized Interest (12 months @ 4.031433%)	179,399
2 Developer Interest ^(a)	571,810
D. Bond Discount (2.725%)	121,259
E. Bond Issuance Expenses	47,723
F. Bond Application Report Costs	44,500
G. Attorney General Fee (0.10%)	4,450
H. TCEQ Bond Issuance Fee (0.25%)	11,125
I. Contingency ^(b)	33,093

Total Non-Construction Costs	\$ 1,184,108
-------------------------------------	---------------------

TOTAL BOND ISSUE REQUIREMENT	<u>\$ 4,450,000</u>
-------------------------------------	----------------------------

(a) Preliminary; subject to change. The amount of developer interest will be finalized in connection with the reimbursement report approved by the Board of Directors prior to disbursement of funds.

(b) The TCEQ, in its approval of the Bonds, directed any surplus Bond proceeds to be shown as a contingency line item and be subject to the TCEQ rules on use of surplus Bond funds.

INVESTMENT CONSIDERATIONS

General

The Bonds, which are obligations of the District and are not obligations of the City of Liberty Hill, Texas; Williamson County, Texas; the State of Texas; or any other political subdivision, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. See “THE BONDS - Source of and Security for Payment.”

The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property or, in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by registered owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will occur or that the development in the District will maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See “INVESTMENT CONSIDERATIONS - Registered Owners' Remedies.”

Factors Affecting Taxable Values and Tax Payments

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

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

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

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

Developers under No Obligation to the District: There is no commitment from, or obligation of, any 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 Developer (defined herein) and the other principal taxpayers for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of either will be or what effect, if any, such financial conditions may have on their ability to pay taxes. See “THE DEVELOPER” and “TAX DATA - Principal Taxpayers – Table 12.”

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 2023 Certified Assessed Valuation of the District is \$279,266,043. After issuance of the Bonds, the Maximum Requirement will be \$1,498,981 (2031) and the Average Requirement will be \$1,426,934 (2024 through 2048, inclusive). Assuming (1) no increase or decrease from the 2023 Certified Assessed Valuation; (2) the issuance of no additional debt; and (3) no other funds available for the

payment of debt service, tax rates of \$0.57 and \$0.54 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. The District's Estimated Assessed Valuation as of December 1, 2023, is \$312,680,000. Based upon the assumptions above, tax rates of \$0.51 and \$0.49 per \$100 assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the Maximum Requirement and the Average Requirement, respectively. See "DEBT SERVICE REQUIREMENTS – TABLE 3" and "TAX DATA - Tax Adequacy for Debt Service."

Dependence Upon the Developer, Lot Owners, and Homebuilders: The growth of the tax base is dependent upon additional development of lots in the District and the construction of homes thereon. The Developer is under no obligation to continue to market, or improve, or to develop tracts of land. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment by the Developer. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowner to whom such party may sell all or a portion of its holdings within the District, to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances or regulations may have on any plans of the Developer. Failure to construct taxable improvements on developed lots and tracts or failure of the Developer to develop their land would restrict the rate of growth of taxable value in the District. See "THE DEVELOPER."

The District's tax base is concentrated in a small number of taxpayers. The top ten (10) principal taxpayers represent approximately 7.43% of the 2023 Certified Assessed Valuation, which represents ownership as of January 1, 2023. The Developer represents approximately 4.66% of such value. If the Developer or 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 Collections and Foreclosure Remedies" in this section, "TAX DATA – Principal Taxpayers – Table 12," and "TAXING PROCEDURES – Levy and Collection of Taxes."

Undeveloped Acreage . . . Approximately 16.34 acres of developable land within the District had not been provided with water, wastewater, drainage, and detention facilities as of December 1, 2023. See "THE BONDS – Alteration of Boundaries" and "THE DISTRICT – Historical and Current Status of Development." There is no assurance such undeveloped acreage will be developed.

Vacant Developed Lots . . . As of December 1, 2023, approximately 242 developed lots within the District remained available for construction. Failure of the Developer and/or builders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by builders. See "Impact on District Tax Rates" above.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold, and delinquent taxes paid. Additionally, the District's tax lien is on a parity with the liens of all other State and local taxing authorities on the property against which the taxes are levied. Registered owners of the Bonds are entitled under Texas law to a writ of mandamus to compel the District to perform its obligations. Such a remedy would have to be exercised upon each separate default and may prove costly, time-consuming, and difficult to enforce. Furthermore, there is no trust indenture or trustee, and all legal actions would have to be taken on the initiative of, and be financed by, registered owners to enforce such remedies. The rights and remedies of the registered owners and the enforceability of the Bonds may also be limited by governmental immunity, bankruptcy, reorganization, and other similar laws affecting the enforcement of creditors' rights generally.

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the registered owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Although the registered owners could obtain a judgment against the District, such a judgment could not be enforced by direct levy and execution against the District's property. Further, the registered owners cannot themselves foreclose on property within the District or sell property within the District in order to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the registered owners may further be limited by laws relating to governmental immunity, bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District.

Marketability

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

Bankruptcy Limitation to Registered Owners' Rights

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 State 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 discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case dismissed the petition, enters an order granting relief from the stay or otherwise allows creditors to proceed against the petitioning political subdivision. A political subdivision, such as the District, may qualify as a debtor eligible to proceed in a Chapter 9 case only if it (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 municipal utility 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.

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.

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 or may affect the valuation of such property.

Continuing Compliance with Certain Covenants

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

Future Debt

The District has reserved in the Bond Order the right to issue the remaining \$5,620,000 authorized but unissued unlimited tax bonds for water, wastewater, and drainage facilities, and such additional bonds as may hereafter be approved by both the Board of Directors and voters of the District. All of the remaining \$5,620,000 unlimited tax bonds which have heretofore been authorized by the voters of the District may be issued by the District from time to time for qualified purposes, as determined by the Board of Directors of the District, subject to the approval of the Attorney General of the State of Texas and the TCEQ. The District has also reserved the right to issue certain other additional bonds, special project bonds, refunding bonds, and other obligations described in the Bond Order. See “THE SYSTEM.”

Additionally, at the election held on November 7, 2006, the voters within the District approved a total of \$45,750,000 in aggregate principal amount of unlimited tax bonds for the purpose of refunding bonds issued for water, wastewater, and drainage purposes, of which \$42,905,000 remains authorized but unissued, and \$1,915,000 in aggregate principal amount of unlimited tax bonds for the acquisition and construction of parks and recreational facilities and unlimited tax bonds for the purpose of refunding such bonds in an amount not to exceed one and one-half times the amount of bonds issued for such purposes, all of which remain authorized but unissued. The principal amount of park bonds sold by the District is limited to 1% of the District’s assessed valuation, however, if the District meets certain financial feasibility requirements under TCEQ rules, the outstanding principal amount of such bonds issued by the District may exceed an amount equal to 1% but not 3% of the value of the taxable property in the District. Before the District could issue park bonds payable from taxes, the following actions would be required: (a) approval of the bonds by the TCEQ; and (b) approval of the bonds by the Attorney General of Texas.

The District anticipates that it may issue portions of its currently authorized but unissued bonds in installments over the next several years. Each future issue of unlimited tax bonds is intended to be sold at the earliest practicable date consistent with the maintenance of a reasonable tax rate in the District (assuming projected increases in the value of taxable property made at the time of issuance of the bonds are accurate). The District does not employ any formula with respect to assessed valuations, tax collections or otherwise to limit the amount of parity bonds which it may issue. In addition, voters may authorize the issuance of additional bonds or other contractual obligations secured by ad valorem taxes levied against property in the District. The issuance of additional bonds is subject to approval by the Commission pursuant to its rules regarding issuance and feasibility of bonds. In addition, future changes in health or environmental regulations could require the construction and financing of additional improvements without any corresponding increases in taxable value in the District.

According to the Engineer (defined herein), after being reimbursed with the proceeds from the Bonds, the District remains obligated to reimburse the Developer approximately \$810,771 for the facilities serving the existing development within the District. The District expects to submit bond applications to the TCEQ for the sale of additional bonds to satisfy its obligation to pay the Developer for such facilities. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds. The District’s Engineer estimates that the \$5,620,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued pursuant to the bond election held on November 7, 2006, is sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but developable acres within the District. See “THE BONDS – Issuance of Additional Debt” and “FINACIAL STATEMENT -Unlimited Tax Bonds Authorized But Unissued – Table 5.”

Governmental Approval

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the Bonds have been approved, subject to certain conditions, by the TCEQ. See “USE AND DISTRIBUTION OF BOND PROCEEDS.” The TCEQ approved the issuance of the Bonds by an order signed on October 31, 2023 (the “TCEQ Order”). 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.

Forward-Looking Statements

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

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

Environmental Regulation

General. 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:

1. Requiring permits for construction and operation of water supply wells and wastewater treatment facilities;
2. Restricting the manner in which wastes are released into the air, water, or soils;
3. Restricting or regulating the use of wetlands or other property;
4. Requiring remedial action to prevent or mitigate pollution;
5. 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 the "8-hour" ozone standard of 80 parts per billion ("ppb") (the "1997 Ozone Standard") to protect public health and welfare. In 2008, the EPA lowered the ozone standard to 75 ppb (the "2008 Ozone Standard"). The Austin area, consisting of Williamson, Hays, Travis, Bastrop, and Caldwell Counties (the "Austin Area") was not designated "nonattainment" under the 2008 Ozone Standard.

On October 1, 2015, the EPA lowered the ozone standard to 70 ppb (the "2015 Ozone Standard"). On May 1, 2018, the EPA designated the Austin Area as "attainment" under the 2015 Ozone Standards, which became effective on September 7, 2018.

Should the Austin Area fail to achieve 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 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 near 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 City and 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 federal Safe Drinking Water Act (“SDWA”) and Environmental Protection Agency’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a city’s and municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system.

Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified other contaminants which may require national drinking water regulation in the future.

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

Operations of utility districts, including the District, are also potentially subject to requirements and restrictions under the CWA regarding the use and alteration of wetland areas within the “waters of the United States.” The District must also obtain a permit from the United States “over which the EPA and USACE have jurisdiction under the CWA. The CWA significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands.

On May 25, 2023, the Supreme Court of the United States issued its decision in *Sackett v. EPA*, which clarified the definition of “waters of the United States” and significantly restricted the reach of federal jurisdiction under the CWA. Under the *Sackett* decision, “waters of the United States” includes only geographical features that are described in ordinary parlance as “streams, oceans, rivers, and lakes” and to adjacent wetlands that are indistinguishable from such bodies of water due to a continuous surface connection.

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

Operations of the District are also potentially subject to stormwater discharge permitting requirements as set forth under the CWA and regulations implementing the CWA. 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 CWA or the Texas Water Code.

Potential Impact of Natural Disaster

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

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

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 meets in regular session in odd numbered years for 140 days. When the Legislature is not in session the Governor of Texas (the “Governor”) may call one or more special sessions, at the Governor’s discretion, each lasting no more than 30 days, and for which the Governor sets the agenda. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the District.

Drought Conditions

Central Texas, like other areas of the State, is susceptible to drought conditions. The City of Georgetown provides water to the residents of the District; however, if the area experiences drought conditions, the District could implement water restrictions for residents of the District, and water usage and rates could be impacted.

Storm Water

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Participation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in interim floodplain regulations applying to a larger number of properties and consequently leaving less developable property within the District. Such regulations could additionally result in higher insurance rates, increased development fees, and stricter building codes for any property located within the expanded boundaries of the floodplain. See “THE SYSYEM – 100-Year Flood Plain.”

Bond Insurance Risks

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.

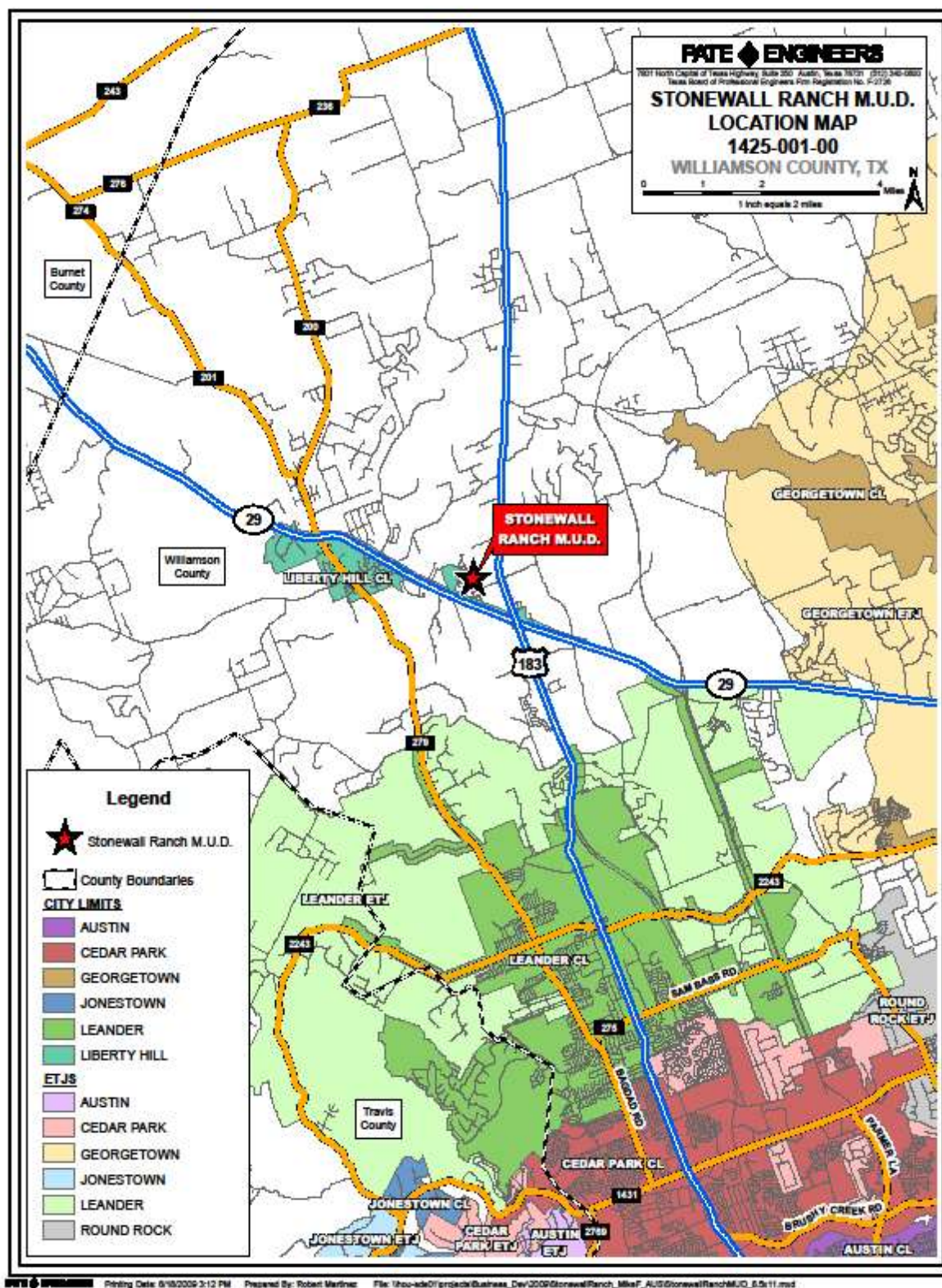
Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Paying Agent exercises and the Bond Insurer’s consent may be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

The long-term ratings on the Bonds are 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 of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds.

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.

LOCATION MAP



THE DISTRICT

General

The District, a political subdivision of the State of Texas, was created by order of the TCEQ on March 28, 2006, and operates pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ. The District was created for the purposes of providing, operating, and maintaining facilities to control storm water, distribute potable water, and collect and treat wastewater. The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water and the operation of park and recreational facilities. Pursuant to Article XVI, Section 59 of the Texas Constitution and Chapter 49 of the Water Code certain districts, such as the District, may issue bonds subject to voter approval and the TCEQ, payable from ad valorem taxes to pay for the development and maintenance of water, wastewater, drainage, park, and recreational facilities. The District may also establish, operate, and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters of the District and the TCEQ. Fire services are currently provided within the District by Williamson County Emergency Services District No. 4.

Management

Board of Directors

The District is governed by a Board of Directors, consisting of five (5) directors, which has control over and management supervision of all affairs of the District. Directors' terms are four years, with elections held within the District in May in each even-numbered year. All of the directors own property in the District.

<u>Name</u>	<u>Position</u>	<u>Length of Service</u>	<u>Term Expires May</u>
Kareem T. Hajjar	President	15 ½ Years	2024
Scott Wuest	Vice-President	15 ½ Years	2024
Mike Shaw	Secretary	6 ½ Years	2026
Melissa Neslund	Assistant-Secretary	15 ½ Years	2026
Graham Carter	Assistant-Secretary	11 ½ Years	2026

Consultants

Tax Assessor/Collector

Land and improvements in the District are being appraised by the Williamson Central Appraisal District ("WCAD"). The Tax Assessor/Collector is appointed by the Board of Directors of the District. The Williamson County Tax Assessor/Collector, Mr. Larry Gaddes, currently serves the District in this capacity under contract.

Engineer

The District's consulting engineer is Jones-Heroy & Associates, Inc. (the "Engineer"). Such firm serves as consulting engineer to 50 other special districts.

Bookkeeper

Montoya & Monzingo, LLP, certified public accountants, serves as bookkeeper to the District, as well as to eleven other special districts.

Auditor

The District's financial statements for the fiscal year ending September 30, 2022, were audited by Maxwell, Locke & Ritter LLP, Certified Public Accountants.

Financial Advisor

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

Bond Counsel and Disclosure Counsel

The District has engaged McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Bond Counsel and Disclosure Counsel in connection with the issuance of the Bonds. The fees of Bond Counsel and Disclosure Counsel are contingent upon the sale of and delivery of the Bonds.

General Counsel

The District employs McLean & Howard, L.L.P., (“McLean & Howard”) as General Counsel. Fees paid to McLean & Howard for work related to the issuance of the Bonds are contingent upon the sale of the Bonds.

Location

The District, which encompasses approximately 282.37 acres of land, is located in northwest Williamson County, and lies approximately 1.5 miles east of downtown of Liberty Hill, 8 miles west of the City of Georgetown, Texas (“Georgetown”), and 30 miles northwest of downtown of the City of Austin, Texas (“Austin”). The District is located in the northwest segment of the intersection of State Highway 29 and US 183. The District is contained entirely within the extraterritorial jurisdiction of Liberty Hill and access to the District is provided by State Highway 29 south. See “LOCATION MAP.”

Historical and Current Status of Development

Construction of utility facilities to serve property within the District commenced in November 2005 by the District’s original developer, Lennar Buffington Stonewall Ranch, L.P. of Austin, Texas (“Buffington”), a Texas limited partnership. Buffington completed the development of utility facilities serving approximately 100.28 acres within the District, developed as Section 2 (59.84 acres; platted as 151 single family lots) and Section 3 (40.44 acres; platted as 126 single family lots).

In August 2016, Buffington sold and assigned all of their remaining land and interests within the District to RSI Communities LLC pursuant to a Contract of Sale Agreement, through a cash transaction. RSI Communities LLC then transferred its land and interests to RSI Communities - Texas LLC, which subsequently transferred its land and interests to RSI Stonewall LLC (“RSI”), now called WLH Communities – Texas LLC (“WLH” or the “Developer”), a wholly owned subsidiary of Taylor Morrison Homes (formerly William Lyon Homes). In March 2018, WLH sold the undeveloped acreage within the District to Project Royal, LP, a Delaware limited partnership (“Project Royal” which was created for the purpose of purchasing and holding land within the District to be developed by WLH). Once the undeveloped plats were recorded, the lots were conveyed to the Developer by Project Royal for the development of utility facilities. WLH completed the development of utility facilities serving approximately 165.77 acres within the District, developed as Sections 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14, consisting of 765 single family lots. WLH expects to develop the remaining approximately 16.34 developable acres as Stonewall Ranch Section 15, projected to contain approximately 99 single family lots.

Of the approximately 282.37 acres within the District, approximately 280.22 are developable. As of December 1, 2023, approximately 263.89 acres (or approximately 94.17% of the developable acreage within the District) have been or are currently being developed with utility facilities. Residential development includes the single-family residential subdivisions of Stonewall Ranch Sections 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, and 14, on approximately 248.87 acres, encompassing a total of 1,042 single family lots, which includes 778 completed homes, 22 homes under construction, and 242 vacant single-family lots. Other developments within the District include an elementary school on approximately 13.56 acres, which is exempt from ad valorem taxation, and a pump station on approximately 1.46 acres. The District contains approximately 2.15 of undevelopable acres, consisting of parks and open spaces. As of December 1, 2023, there were approximately 16.34 remaining developable acres within the District.

The chart on the following page reflects the status of development as of December 1, 2023.

[The chart appears on the following page]

Section	Acreage	Platted Lots	Completed Homes	Homes Under Construction	Vacant Lots
A. Single Family Developed with Utility Facilities					
Stonewall Ranch Section 2	44.82	151	150	-	1
Stonewall Ranch Section 3	38.29	126	126	-	-
Stonewall Ranch Section 4	2.83	16	16	-	-
Stonewall Ranch Section 5	8.88	32	26	3	3
Stonewall Ranch Section 6	20.11	101	101	-	-
Stonewall Ranch Section 7	19.62	98	98	-	-
Stonewall Ranch Section 8	13.94	66	66	-	-
Stonewall Ranch Section 9	30.47	123	121	-	2
Stonewall Ranch Section 10	11.87	71	53	-	18
Stonewall Ranch Section 11	12.95	79	-	-	79
Stonewall Ranch Section 12	7.35	33	21	3	9
Stonewall Ranch Section 13	27.98	80	-	16	64
Stonewall Ranch Section 14	9.77	66	-	-	66
Total Developed with Utilities	248.87	1,042	778	22	242
B. Single Family Utility Facilities Under Construction					
N/A	-	-			
Total Single Family Utilities Developed or Under Construction	248.87	1,042			
C. Remaining Developable Acreage					
Single-Family Residential	16.34				
Total Remaining Developable Acreage	16.34				
D. Other Developed					
Elementary School	13.56				
Pump Station	1.46				
Total Other Developed	15.02				
E. Undevelopable Acreage					
Park/Open Spaces	2.15				
Total Undevelopable Acreage	2.15				
Total District Acreage	282.37				

Future Development

The instigation of any new development beyond that described in this Official Statement will be dependent on several factors including, to a great extent, the general and other economic conditions which would affect the ability to sell lots and/or property and of any homebuilder to sell completed homes as described in this Official Statement under the caption “INVESTMENT CONSIDERATIONS.” If the undeveloped portion of the District is eventually developed, additions to the water, wastewater, and drainage system required to service such undeveloped acreage may be financed by future District bond issues, if any, and developer contributions, if any, as required by the TCEQ. The District’s Engineer estimates that the \$5,620,000 remaining principal amount of voted water, wastewater, and drainage bonds which are authorized to be issued pursuant to the bond election held on November 7, 2006, is sufficient to reimburse the Developer for the existing utility facilities and provide utility service to the remaining undeveloped but developable acres within the District. See “THE BONDS – Issuance of Additional Debt.” The Developer is under no obligation to complete any development, if begun, and may modify or discontinue development plans in its sole discretion. Accordingly, the District makes no representation that future development will occur.

Annexation of the District

The District lies entirely within the extraterritorial jurisdiction of Liberty Hill. See “THE BONDS –Annexation” for a discussion of the ability of Liberty Hill to annex the District.

THE DEVELOPER

Role of Developer

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

Description of the Developer

The developer currently active within the District is WLH Communities – Texas LLC (formerly called RSI Stonewall LLC), a Delaware limited liability company (“WLH” or the “Developer”), an affiliate of RSI Communities - Texas LLC, a Delaware limited liability company, also an affiliate of RSI Communities LLC and RSI Holding, LLC, both Delaware limited liability companies, and a wholly owned subsidiary of Taylor Morrison Homes (formerly William Lyon Homes).

In August 2016, RSI Communities LLC acquired, through a cash transaction, all of the remaining land and interests within the District from Buffington, pursuant to a Contract of Sale Agreement. RSI Communities LLC then transferred its land and interests to RSI Communities - Texas LLC, which subsequently transferred its land and interests to RSI, now called WLH. In March 2018, WLH sold the undeveloped acreage within the District to Project Royal, which was created for the purpose of purchasing and holding land within the District to be developed by WLH. Once the undeveloped plats are recorded, the lots are conveyed to the Developer by Project Royal for the development of utility facilities. WLH owns the remaining approximately 16.34 developable acres within the District (projected to be developed as Stonewall Ranch Section 15, to contain approximately 99 single family lots). WLH also owns all of the developed vacant single family lots within the District (242 lots as of December 1, 2023).

The Developer is not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developer has no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of their property within the District, or any other assets, at any time. Further, the Developer's financial condition is subject to change at any time.

Homebuilder within the District

According to the Developer, the homebuilder currently active within the District is Taylor Morrison Homes. The homes range in price from approximately \$325,315 to \$475,000, with square footage ranging from approximately 1,435 to 2,707. The Developer has stated that it has executed lot sales contracts with the builder and that the builder is in compliance with its lot sales contracts.

Utility Construction Agreement

The District has entered into utility construction agreements with the Developer governing the development of water, wastewater, and drainage facilities on land within the District and the reimbursement for certain of the costs of such development through the issuance of bonds by the District (the “Utility Construction Agreement”).

Agricultural Waiver

Much of the undeveloped acreage within the District is subject to an agricultural exemption, however, the Developer executed an agreement, which was recorded in the real property records of Williamson County, and which contains covenants running with the land, waiving the right to have certain land located within the District classified as agricultural, open-space or timberland. In addition, the Developer has waived the right to have the lots and houses (if any) classified as business inventory. Such agreements may not be modified without the approval of the TCEQ and are binding on purchasers of such land from the Developer. See “TAXING PROCEDURES - Property Subject to Taxation by the District.”

THE SYSTEM

Regulation

The water, wastewater and storm drainage facilities or contract rights therefor (the “System”), the purchase, acquisition and construction of which were permanently financed by the District with the proceeds of the new money Outstanding Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including, among others, the TCEQ, Williamson County and Liberty Hill. According to the Engineer, the design of all such facilities has been approved by all governmental agencies which have authority over the District.

Operation of the water and wastewater facilities serving customers in the District is subject to regulation by, among others, the U.S. Environmental Protection Agency and the TCEQ.

Water Supply and Distribution

Water services to retail customers within the District are provided by Georgetown, which purchased water facilities from the Chisholm Trail Special Utility District (“CTSUD”) and associated service rights. As part of the facilities purchase, Georgetown was also assigned an amended and restated non-standard water service agreement (the “Water Service Agreement”) with the District.

Under the Water Service Agreement, the cost of certain water-related facilities and contract rights therefor is borne by the Developer, which is reimbursed by the District. The water facilities are transferred to Georgetown who then supplies retail water service to customers in the District. Georgetown, in turn, receives its potable water supply from Lake Georgetown and the Edwards Aquifer.

Georgetown delivers potable water to customers in the District via an 18-inch transmission line. Pursuant to the Water Service Agreement, the District has a commitment for water supply capacity sufficient to serve total buildout of the District (projected to be 1,196 LUEs). As of December 1, 2023, the District was serving 853 LUEs.

Water supplied by Georgetown is obtained by Georgetown pursuant to an agreement with the Brazos River Authority (“BRA”) for 11,000-acre feet of water per year from Lake Georgetown and from four wells in the Edwards Aquifer. Potable water from Georgetown is delivered to a 1.0-million-gallon concrete ground storage tank and then pumped via a booster pump station (containing two 1,800 gallons per minute centrifugal pumps, a comprehensive data control and alarm system, and auxiliary standby generator, and related appurtenances) through the 18-inch transmission line into the internal water distribution system within the District. The Water Service Agreement requires that the water facilities, including the internal water distribution facilities constructed by the Developer on behalf of the District be conveyed to Georgetown and that Georgetown operates and maintains the internal water distribution system.

Retail water service is provided directly by Georgetown to customers in the District. Retail water customers in the District are charged Georgetown’s standard rates for retail water service to customers located outside of the city, as established by Georgetown from time to time.

Wastewater Collection and Treatment

Wastewater collection and treatment services to retail customers within the District are provided by Liberty Hill, which purchased wastewater treatment facilities from the Lower Colorado River Authority (“LCRA”) and associated service rights. As part of the facilities purchase, Liberty Hill was also assigned the Utility Facilities Construction and Conveyance Agreement and Wastewater Service Agreement between the LCRA and the Developer (the “Wastewater Agreement”).

In accordance with the Wastewater Agreement, Liberty Hill will provide retail wastewater service to customers in the District, currently in an amount of wastewater treatment capacity sufficient to serve 1,196 LUE's. Such service will be provided through Liberty Hill’s wastewater treatment plant (the “Regional Wastewater Plant”). Phase 1 of the Regional Wastewater Treatment plant has been constructed by Liberty Hill, with an initial capacity of 400,000 gallon per day (“gpd”). As of December 1, 2023, the District was serving 853 LUEs.

The Wastewater Agreement provides that the Developer is responsible for the construction and installation of lines and related appurtenances for the collection and delivery of wastewater to the Regional Wastewater Plant. Such collection lines and related appurtenances are conveyed by the Developer to Liberty Hill, with Liberty Hill reimbursing the Developer for a portion of the costs incurred to construct and install such collection lines and related appurtenances. Accordingly, Liberty Hill will own, operate, and maintain the wastewater system serving customers in the District.

The Utility Construction Agreement between the District and the Developer has been amended to provide for the reimbursement by the District of the costs for eligible wastewater facilities not otherwise reimbursed by Liberty Hill.

According to the Developer, the Developer is in compliance with all material terms of the Wastewater Agreement that has been assigned to Liberty Hill and has met all obligations with regard to advance payment of impact fees.

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 rainstorm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance.

According to the District’s Engineer, no acres within the District are currently located in the floodplain as shown in the Federal Emergency Management Agency Flood Insurance Rate Map No. 48491C0250E dated September 26, 2008.

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

Water, Wastewater and Drainage Operations - Rates and Fees – Table 1

Georgetown provides retail water service to the residents of the District and establishes the rates and fees for such service, subject to change from time to time. Liberty Hill provides retail wastewater service to residents of the District and establishes rates and fees for wastewater service, subject to change from time to time.

The rates and fees charged by Georgetown for retail water service are published and updated from time to time by Georgetown on its official website and the rates and fees charged by Liberty Hill for retail wastewater service are published and updated from time to time by Liberty Hill on its official website. Please refer to Georgetown and Liberty Hill’s official websites for current rates and fees. **The rates and charges established by Georgetown and Liberty Hill are not financial and operating data of the District and will not be updated by the District annually as part of the District’s continuing disclosure undertaking.**

[The remainder of this page intentionally left blank]

Operating Revenues and Expenses Statement - Table 2

The following statement sets forth in condensed form the historical operations of the District. Accounting principles customarily employed in the determination of net revenues have been observed and, in all instances, exclude depreciation. Such summary has been prepared from information obtained from the District's financial statements and records. Reference is made to such statements for further and more complete information. Also see "APPENDIX A – Audited Financial Statements for the District for the fiscal year ended September 30, 2022."

	Fiscal Year End					
	9/30/2023 ^(a)	9/30/2022 ^(b)	9/30/2021 ^(b)	9/30/2020 ^(b)	9/30/2019 ^(b)	9/30/2018 ^(b)
REVENUES						
Property taxes, including penalties	\$ 842,780	\$ 648,739	\$ 438,064	\$ 505,999	\$ 458,182	\$ 326,682
Interest	53,922	5,394	3,092	9,147	13,830	5,327
TOTAL REVENUES	\$ 896,702	\$ 654,133	\$ 441,156	\$ 515,146	\$ 472,012	\$ 332,009
EXPENDITURES						
Repairs and Maintenance	\$ 43,725	\$ 19,585	\$ 249,152	\$ 13,012	\$ 58,182	\$ 25,099
Utilities	14,879	13,551	12,863	10,747	12,885	10,564
Director fees, including payroll taxes	5,931	3,060	4,521	6,459	6,597	3,414
Legal Fees	15,798	13,208	11,127	15,182	24,821	14,708
Engineering Fees	10,245	6,918	18,499	6,201	10,572	12,981
Accounting Fees	21,323	18,836	18,433	18,859	19,908	17,489
Audit Fees	16,500	16,000	16,000	15,500	15,500	15,000
Insurance	3,139	3,752	2,732	2,753	2,656	2,612
Tax appraisal/collection fees	7,204	3,571	2,539	3,096	2,810	3,693
Other	16,136	5,117	5,079	13,028	6,206	3,663
TOTAL EXPENDITURES	\$ 154,880	\$ 103,598	\$ 340,945	\$ 104,837	\$ 160,137	\$ 109,223
NET REVENUES (DEFICIT)	\$ 741,822	\$ 550,535	\$ 100,211	\$ 410,309	\$ 311,875	\$ 222,786
Less Developer Reimbursement	\$ (1,082,792) ^(c)	\$ -	\$ -	\$ (780,121) ^(d)	\$ -	\$ -
Beginning Fund Balance	\$ 1,538,161	\$ 987,626	\$ 887,415	\$ 1,257,227	\$ 945,352	\$ 722,566
Plus / (Less): Fund Transfers	-	-	-	-	-	-
Ending Fund Balance	\$ 1,197,191	\$ 1,538,161	\$ 987,626	\$ 887,415	\$ 1,257,227	\$ 945,352

(a) Unaudited.

(b) Audited.

(c) In October 2023, the District used \$1,082,792 surplus operating funds to reimburse the Developer for a portion of the construction costs for water, wastewater and drainage facilities serving Stonewall Ranch Sections 10, 12, and 13.

(d) During fiscal year 2020, the District used \$786,121 surplus operating funds to reimburse the Developer for a portion of the construction costs for water, wastewater and drainage facilities serving Stonewall Ranch Section 3.

[The remainder of this page intentionally left blank]

DEBT SERVICE REQUIREMENTS – TABLE 3
Stonewall Ranch Municipal Utility District
\$4,450,000
Unlimited Tax Bonds, Series 2024
Dated Date: February 7, 2024
First Interest Payment Due: September 1, 2024

Year Ending 31-Dec	Outstanding Bonds				The Bond				Total	
	Principal Due (09/01)	Interest		Total	Principal (Due 9/01)	Interest		Principal and Interest	Debt Service Requirements	
		Due (03/01)	Due (09/01)			(Due 3/01)	(Due 9/01)			Total
2024	\$ 405,000	\$ 330,478	\$ 330,478	\$ 1,065,956	\$ 5,000	\$ -	\$ 97,679	\$ 97,679	\$ 102,679	\$ 1,168,635
2025	435,000	322,224	322,224	1,079,449	5,000	86,063	86,063	172,125	177,125	1,256,574
2026	470,000	313,247	313,247	1,096,494	5,000	85,938	85,938	171,875	176,875	1,273,369
2027	475,000	304,273	304,273	1,083,546	5,000	85,813	85,813	171,625	176,625	1,260,171
2028	605,000	296,724	296,724	1,198,449	5,000	85,688	85,688	171,375	176,375	1,374,824
2029	640,000	286,378	286,378	1,212,756	100,000	85,563	85,563	171,125	271,125	1,483,881
2030	675,000	275,439	275,439	1,225,879	100,000	83,063	83,063	166,125	266,125	1,492,004
2031	685,000	263,928	263,928	1,212,856	125,000	80,563	80,563	161,125	286,125	1,498,981
2032	695,000	252,219	252,219	1,199,439	125,000	77,438	77,438	154,875	279,875	1,479,314
2033	705,000	239,618	239,618	1,184,236	125,000	75,484	75,484	150,969	275,969	1,460,205
2034	740,000	226,893	226,893	1,193,786	125,000	73,531	73,531	147,063	272,063	1,465,849
2035	755,000	214,221	214,221	1,183,441	150,000	71,500	71,500	143,000	293,000	1,476,441
2036	790,000	201,509	201,509	1,193,019	150,000	68,969	68,969	137,938	287,938	1,480,956
2037	825,000	188,497	188,497	1,201,994	150,000	66,438	66,438	132,875	282,875	1,484,869
2038	840,000	174,419	174,419	1,188,837	150,000	63,813	63,813	127,625	277,625	1,466,462
2039	850,000	160,053	160,053	1,170,106	150,000	61,188	61,188	122,375	272,375	1,442,481
2040	865,000	145,256	145,256	1,155,512	175,000	58,563	58,563	117,125	292,125	1,447,637
2041	905,000	130,178	130,178	1,165,356	200,000	55,500	55,500	111,000	311,000	1,476,356
2042	945,000	114,569	114,569	1,174,138	200,000	51,750	51,750	103,500	303,500	1,477,638
2043	960,000	98,194	98,194	1,156,388	200,000	48,000	48,000	96,000	296,000	1,452,388
2044	1,015,000	81,538	81,538	1,178,075	200,000	44,000	44,000	88,000	288,000	1,466,075
2045	1,050,000	65,594	65,594	1,181,188	200,000	40,000	40,000	80,000	280,000	1,461,188
2046	1,075,000	53,031	53,031	1,181,063	200,000	36,000	36,000	72,000	272,000	1,453,063
2047	1,100,000	27,500	27,500	1,155,000	225,000	32,000	32,000	64,000	289,000	1,444,000
2048	-	-	-	-	1,375,000	27,500	27,500	55,000	1,430,000	1,430,000
	<u>\$ 18,505,000</u>	<u>\$ 4,765,981</u>	<u>\$ 4,765,981</u>	<u>\$ 28,036,962</u>	<u>\$ 4,450,000</u>	<u>\$ 1,544,359</u>	<u>\$ 1,642,039</u>	<u>\$ 3,186,398</u>	<u>\$ 7,636,398</u>	<u>\$ 35,673,360</u>

**FINANCIAL STATEMENT
(Unaudited)**

Assessed Value – Table 4

2023 Certified Assessed Valuation	\$ 279,266,043 ^(a)
Estimated Assessed Valuation as of December 1, 2023	\$ 312,680,000 ^(b)
Gross Debt Outstanding	\$ 22,955,000 ^(c)
Ratio of Gross Debt to 2023 Certified Assessed Valuation	8.22%
Ratio of Gross Debt to Estimated Assessed Valuation as of December 1, 2023	7.34%
2023 Tax Rate	
Debt Service	\$ 0.3430
Maintenance	<u>0.4200</u>
Total 2023 Tax Rate	<u><u>\$ 0.7630</u></u> ^(d)
Debt Service Fund Balance (as of January 10, 2024)	\$ 627,134 ^(e)

Area of District: 282.37 acres
Estimated Population as of December 1, 2023: 2,331^(f)

- (a) The certified assessed valuation as of January 1, 2023, as provided by WCAD. See “TAXING PROCEDURES.”
- (b) The estimated assessed valuation as of December 1, 2023, as provided by WCAD, is included solely for purposes of illustration. Taxes are levied on value as certified by WCAD as of January 1 of each year. Consequently, this estimate will not be used to produce the tax revenue for the District. See “TAXING PROCEDURES.”
- (c) Includes the Bonds.
- (d) The District levied a 2023 tax rate of \$0.7630 at its meeting in September 2023. See “TAXING PROCEDURES.”
- (e) Unaudited as of January 10, 2024. Does not include approximately twelve (12) months’ capitalized interest (\$179,399) included in the Bond proceeds, to be deposited into the Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.
- (f) Based upon 3.0 residents per completed and occupied single family home.

Unlimited Tax Bonds Authorized but Unissued - Table 5

Date of Authorization	Purpose	Authorized	Issued to Date	Unissued
11/7/2006	Water, Wastewater and Drainage	\$ 30,500,000	\$ 24,880,000 ^(a)	\$ 5,620,000
11/7/2006	Water, Wastewater and Drainage Refunding ^(b)	45,750,000	2,845,000	42,905,000
11/7/2006	Parks and Recreation Facilities	1,915,000	-	1,915,000
11/7/2006	Park and Recreational Facilities Refunding ^(b)	<u>2,872,500</u>	<u>-</u>	<u>2,872,500</u>
Total		\$ 81,037,500	\$ 27,725,000	\$ 53,312,500

- (a) Includes the Bonds.
- (b) The proposition approved by the voters authorized the District to issue refunding bonds in an amount not to exceed one and one-half times the par amount of bonds issued assuming that the total amount of bonds authorized by the voters will be issued.

[The remainder of this page intentionally left blank]

Outstanding Bonds - Table 6

Dated Date	Purpose	Original Series	Original Principal Amount	Principal Amount Outstanding after the Issuance of the Bonds
A. New Money Bonds				
09/01/09	Water, Wastewater and Drainage	2009	\$ 2,000,000	\$ -
01/01/11	Water, Wastewater and Drainage	2011	1,000,000	-
12/07/16	Water, Wastewater and Drainage	2016	1,580,000	1,545,000
10/03/18	Water, Wastewater and Drainage	2018	2,600,000	2,350,000
07/10/19	Water, Wastewater and Drainage	2019	3,500,000	3,200,000
05/06/20	Water, Wastewater and Drainage	2020	3,000,000	2,840,000
02/03/21	Water, Wastewater and Drainage	2021	2,500,000	2,375,000
10/25/22	Water, Wastewater and Drainage	2022	4,250,000	4,245,000
02/07/24	Water, Wastewater and Drainage	2024	4,450,000	4,450,000 ^(a)
	Subtotal		<u>\$ 24,880,000</u>	<u>\$ 21,005,000</u>
B. Refunding Bonds				
8/1/2015	Refunding	2015	<u>\$ 2,845,000</u>	<u>\$ 1,950,000</u>
	Subtotal		<u>\$ 2,845,000</u>	<u>\$ 1,950,000</u>
	Total		<u>\$ 27,725,000</u>	<u>\$ 22,955,000</u>

(a) The Bonds.

Cash and Investment Balances - Table 7^(a)

General Fund	\$ 1,154,306
Debt Service Fund	627,134 ^(b)
Capital Projects Fund	2,981

(a) Unaudited as of January 10, 2024.

(b) Does not include approximately twelve (12) months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing. Neither Texas law nor the Bond Order requires the District to maintain any particular sum in the Debt Service Fund.

Investment Authority and Investment Practices of the District

Under State law, the District is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State 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 or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (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 Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or

branch office in this State that the District selects from a list the governing body or designated investment committee of the District adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the District selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the District's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the District appoints as the District's custodian of the banking deposits issued for the District's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the District through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the District as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the District, (b) the broker or the depository institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the District appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the District with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, require the securities being purchased by the District or cash held by the District to be pledged to the District, held in the District's name, and deposited at the time the investment is made with the District or with a third party selected and approved by the District, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) 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; (12) commercial paper with a stated maturity of 365 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; (13) no-load money market mutual funds registered with and regulated by the United States SEC that provide the District with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the District and deposited with the District or a third party selected and approved by the District.

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 ten (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.

Political subdivisions such as the District are authorized to implement 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 (8) 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 (8) above, clauses (12) through (14) 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; and (iv) the agreement to lend securities has a term of one year or less.

Under State 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 State 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 District 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, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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) State law. No person may invest District funds without express written authority from the Board of Directors.

Current Investments - Table 8

The District, as of January 10, 2024, was invested in Money Market accounts. This investment portfolio is generally representative of the District's investment practices. GASB Statement No. 3 requires the District to assign risk categories for its investment, except those in which securities are not used as evidence of the investment. State law requires the District to mark its investments to market price each calendar quarter and upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the District's audited financial statements.

Investment Value as of January 10, 2024	
Cash	\$ 22,544
Money Market	1,761,877
Total Investments	\$ 1,784,421

Estimated Overlapping Debt Statement

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

(The chart appears on the following page)

Taxing Body	Total Tax Supported Debt		% of Overlapping Net Debt	Amount of Overlapping Net Debt
	Amount	As of		
Williamson County	\$ 1,122,900,000	12/31/2023	0.210%	\$ 2,358,090
Williamson County ESD No. 4	(a)	12/31/2023	0.000%	-
Williamson County FM/RD	(a)	12/31/2023	0.000%	-
Liberty Hill Independent School District	715,555,531	12/31/2023	3.370%	24,114,221
TOTAL ESTIMATED OVERLAPPING NET DEBT				\$ 26,472,311
The District ^(b)	\$ 22,955,000	2/7/2024	100.00%	\$ 22,955,000
TOTAL DIRECT AND ESTIMATED OVERLAPPING DEBT				\$ 49,427,311
Ratio of Estimated Overlapping & Direct Debt to 2023 Certified Assessed Valuation				17.70%
Ratio of Estimated Overlapping & Direct Debt to Estimated Assessed Valuation as of December 1, 2023				15.81%

(a) Taxing jurisdiction with no outstanding debt.

(b) Includes the Bonds.

Overlapping Taxes for 2023

Overlapping Entity	2023 Tax Rate Per	
	\$100 Assessed Valuation	Average Tax Bill ^(a)
	Williamson County	Williamson County
Williamson County	\$ 0.333116	\$ 1,152
Williamson County ESD No. 4	0.067969	235
Williamson County FM/RD	0.044329	153
Liberty Hill Independent School District	1.169200	4,044
The District	0.763000	2,639
Total	\$ 2.377614	\$ 8,223

(a) Based upon the 2023 average single-family home value of \$345,860 as provided by WCAD.

TAX DATA

Classification of Assessed Valuation - Table 9

Type Property	2023 ^(a)		2022 ^(b)		2021 ^(b)	
	Amount	%	Amount	%	Amount	%
Residence (Single Family)	\$ 279,736,795	100.17%	\$ 247,634,498	109.58%	\$ 144,238,091	94.73%
Real, Vacant Platted Lots/Tracts	84,954	0.03%	84,354	0.04%	-	0.00%
Acreage	4,311,856	1.54%	3,733,330	1.65%	4,485,553	2.95%
Tangible Personal Business	402,364	0.14%	368,201	0.16%	404,733	0.27%
Real Inventory	28,470,268	10.19%	26,349,896	11.66%	12,539,857	8.24%
Exempt Property	16,309,738	5.84%	14,429,309	6.39%	12,464,636	8.19%
Less: Adjustments	(50,049,932)	-17.92%	(66,623,365)	-29.48%	(21,867,823)	-14.36%
Total	\$279,266,043	100.00%	\$225,976,223	100.00%	\$152,265,047	100.00%

(a) Provided by WCAD.

(b) Assessed Valuation reflects the adjusted value at September 30th of each respective year as included in the audited financial statement.

Tax Collections - Table 10

The following statement of tax collections sets forth in condensed form the historical tax collection experience of the District. Such summary has been prepared by the Financial Advisor for inclusion herein based upon information from District audits and records of the District's Tax Assessor/Collector. Reference is made to such audits and records for further and more complete information.

Year	Assessed Valuation ^(a)	Tax Rate	Tax Levy	Current		Total		Year Ending
				Amount	%	Amount	%	
2011	\$ 29,915,490	\$ 0.9500	\$ 284,197	\$ 284,197	100.00%	\$ 284,197	100.00%	9/30/2012 ^(b)
2012	33,551,176	0.9500	318,736	318,736	100.00%	318,736	100.00%	9/30/2013 ^(b)
2013	34,935,787	0.9500	331,890	331,890	100.00%	331,890	100.00%	9/30/2014 ^(b)
2014	40,738,485	0.9182	374,061	374,061	100.00%	374,061	100.00%	9/30/2015 ^(b)
2015	56,506,339	0.9015	509,405	509,405	100.00%	509,405	100.00%	9/30/2106 ^(b)
2016	59,380,458	0.9015	535,315	533,359	99.63%	533,359	99.63%	9/30/2017 ^(b)
2017	63,414,435	0.9015	571,681	569,674	99.65%	569,674	99.65%	9/30/2018 ^(b)
2018	78,190,398	0.9000	703,714	701,626	99.70%	701,626	99.70%	9/30/2019 ^(b)
2019	100,850,630	0.9000	907,656	905,504	99.76%	905,504	99.76%	9/30/2020 ^(b)
2020	121,236,408	0.9000	1,091,128	1,089,012	99.81%	1,089,012	99.81%	9/30/2021 ^(b)
2021	152,265,047	0.8665	1,321,852	1,319,615	99.83%	1,319,612	99.83%	9/30/2022 ^(b)
2022	225,976,223	0.7844	1,774,885	1,768,831	99.66%	1,769,273	99.68%	9/30/2023 ^(c)
2023	279,266,043	0.7630	2,130,802	1,725,888	81.00%	1,725,888	81.00%	9/30/2024 ^(d)

(a) Assessed Valuation reflects the adjusted value at September 30th as included in the audited financial statement.

(b) Audited.

(c) Unaudited. Reflects tax collections through December 31, 2023.

(d) Unaudited. Reflects collections through December 31, 2023. In the process of collection. Taxes are due with no penalty by January 31, 2024.

District Tax Rates - Table 11

	Tax Rates per \$100 Assessed Valuation					
	2023	2022	2021	2020	2019	2018
Debt Service	\$ 0.3430	\$ 0.4115	\$ 0.4405	\$ 0.5385	\$ 0.4035	\$ 0.3225
Maintenance	0.4200	0.3729	0.4260	0.3615	0.4965	0.5775
Total	\$ 0.7630	\$ 0.7844	\$ 0.8665	\$ 0.9000	\$ 0.9000	\$ 0.9000

Debt Service Tax

The District's tax rate for debt service on the Bonds is legally unlimited as to rate or amount. As shown above under "District Tax Rates – Table 11," the District levied a 2023 debt service tax rate of \$0.3430/\$100 assessed valuation.

Maintenance Tax

The Board of Directors of the District has the statutory authority to levy and collect an annual ad valorem tax for planning, maintaining, repairing, and operating the District's improvements, if such maintenance tax is authorized by a vote of the District's electors. Such tax is in addition to taxes that the District is authorized to levy for paying principal of and interest on the Bonds, and any tax bonds that may be issued in the future. At an election held on November 7, 2006, voters within the District authorized a maintenance tax not to exceed \$1.00/\$100 assessed valuation. As shown above under "District Tax Rates – Table 11," the District levied a 2023 maintenance and operation tax of \$0.4200/\$100 assessed valuation. See "THE DISTRICT – General."

[The remainder of this page intentionally left blank]

Principal Taxpayers - Table 12

The following list of principal taxpayers was provided by WCAD based on the 2023, 2022, and 2021 tax rolls of the District, which reflect ownership as of January 1 of each year shown.

Name	Type of Property	2023 ^(a)	2022 ^(b)	2021 ^(b)
WLH Communities Texas LLC ^(c)	Land & Improvements	\$ 13,019,918	\$ 20,411,771	\$ 7,233,316
Individual Homeowner	Land & Improvements	2,271,726	2,634,382	569,364
Individual Homeowner	Land & Improvements	847,416	853,413	581,686
Individual Homeowner	Land & Improvements	829,654	966,043	(e)
Individual Homeowner	Land & Improvements	695,676	794,805	510,943
Individual Homeowner	Land & Improvements	676,707	769,557	(e)
Individual Homeowner	Land & Improvements	643,872	749,393	502,186
Captex Properties LLC	Land & Improvements	618,266	698,030	474,388
Individual Homeowner	Land & Improvements	604,432	656,991	(e)
Individual Homeowner	Land & Improvements	543,024	(e)	(e)
Opendoor Property Trust I	Land & Improvements	(e)	891,166	(e)
Project Royal LP ^(d)	Land & Improvements	(e)	(e)	2,324,597
Individual Homeowner	Land & Improvements	(e)	(e)	711,661
Compagno Family Trust	Land & Improvements	(e)	(e)	710,089
Total		<u>\$ 20,750,691</u>	<u>\$ 29,425,551</u>	<u>\$ 13,618,230</u>
Percent of Assessed Valuation		7.43%	13.02%	8.94%

(a) Provided by WCAD.

(b) Assessed Valuation reflects the adjusted value at September 30th as included in the audited financial statement.

(c) The Developer. See "THE DEVELOPER."

(d) See "THE DEVELOPER."

(e) Not a principal taxpayer during the respective year.

Tax Adequacy for Debt Service

The calculations shown below assume, solely for purposes of illustration, no increase or decrease in assessed valuation from the 2023 Certified Assessed Valuation and the Estimated Assessed Valuation as of December 1, 2023, and utilize tax rates adequate to service the District's total debt service requirements, including the Bonds. No available debt service funds are reflected in these computations. See "INVESTMENT CONSIDERATIONS – Factors Affecting Taxable Values and Tax Payments - Impact on District Tax Rates."

Average Requirement on the Bonds and the Outstanding Bonds (2024 through 2048)	\$1,426,934
\$0.54 Tax Rate on 2023 Certified Assessed Valuation of \$279,266,043 @ 95% collections produce	\$1,432,635
\$0.49 Tax Rate on Estimated Assessed Valuation as of December 1, 2023, of \$312,680,000 @ 95% collections produce	\$1,455,525
Maximum Requirement on the Bonds and the Outstanding Bonds (2031)	\$1,498,981
\$0.57 Tax Rate on 2023 Certified Assessed Valuation of \$279,266,043 @ 95% collections produce	\$1,512,226
\$0.51 Tax Rate on Estimated Assessed Valuation as of December 1, 2023, of \$312,680,000 @ 95% collections produce	\$1,514,935

Debt Service Fund Management Index

Unaudited Debt Service Fund Balance as of 09/30/2023 ^(a)	\$608,406
2023 Debt Service Tax Levy @ 95% collections produce ^(b)	909,988
Capitalized Interest included in Bond Proceeds ^(c)	<u>179,399</u>
Total Available for Debt Service.....	\$1,697,793
Less: Debt Service Requirements for year ending 12/31/24 ^(d)	<u>(1,168,635)</u>
Projected Debt Service Fund Balance as of September 30, 2024.....	\$529,158

- (a) Unaudited Debt Service Fund balance as of September 30, 2023. Represents Debt Service Fund balance after all 2023 debt service requirements have been paid and before any 2023 debt service taxes have been collected.
- (b) The District levied a 2023 debt service tax rate of \$0.3430, collection of which is due with no penalty by January 31, 2024.
- (c) Represents approximately twelve (12) months of capitalized interest to be deposited into the Debt Service Fund from proceeds of the Bonds at closing.
- (d) Interest payments on the Bonds begin September 1, 2024.

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax on all taxable property within the District in an amount sufficient to pay the principal of and interest on the Bonds, its other remaining outstanding bonds, and any additional bonds payable from taxes which the District may hereafter issue (see "INVESTMENT CONSIDERATIONS - Future Debt") and to pay the expenses of assessing and collecting such taxes. The District agrees in the Bond Order to levy such a tax from year-to-year as described more fully herein under "THE BONDS - Source of and Security for Payment." Under Texas law, the Board is also authorized to levy and collect an ad valorem tax for the operation and maintenance of the District and its water and wastewater system and for the payment of certain contractual obligations, if authorized by its voters. See "TAX DATA – Debt Service Tax" and "-Maintenance Tax."

Property Tax Code and County Wide Appraisal District

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

The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. WCAD 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 Central Appraisal Review Board (the "Appraisal Review Board").

Property Subject to Taxation by the District

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

disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation if the exemption is adopted by the governing board of the political subdivision before July 1. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The District has never adopted a general homestead exemption.

Tax Abatement: The City and Williamson County may designate all or part of the District as a reinvestment zone, and the District, Williamson County, and (after annexation of the area) the City may thereafter enter into tax abatement agreements with the owners of property within the zone. The tax abatement agreements may exempt from ad valorem tax, by the applicable taxing jurisdictions, and by the District, for a period of up to ten (10) years, all, or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed, on the condition that the property owner make specified improvements or repairs to the property in conformity with a comprehensive plan. According to the District's Tax Assessor/Collector, to date, none of the area within the District has been designated as a reinvestment zone.

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 not taken action to tax goods-in-transit.

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by WCAD at one hundred percent (100%) of market value as of January 1 of each year. Once an appraisal roll is prepared and formally 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.

Nevertheless, certain land may be appraised at less than market value under the Property Tax Code. In November 1997, Texas voters approved a constitutional amendment to limit increases in the appraised value of residence homesteads to ten percent (10%) annually regardless of the market value of the property. The Property Tax Code permits land designated for agricultural use, open space, or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price that such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use and taxes for the previous five years for open space land and timberland.

The Property Tax Code requires WCAD to implement a plan for periodic reappraisal of property. The plan must provide for appraisal of all real property in WCAD at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by WCAD 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 WCAD chooses formally to include such values on its appraisal roll.

On July 13, 2023, during the Second Special Session, the Texas Legislature passed Senate Bill 2, which, among other things, includes provisions that prohibit an appraisal district from increasing the appraised value of real property during the 2024 tax year on non-homestead properties (the "subjected property") whose appraised values are not more than \$5 million dollars (the "maximum property value") to an amount not to exceed the lesser of: (1) the market value of the subjected property for the most recent tax year that the market value was determined by the appraisal office or (2) the sum of: (a) 20 percent (20%) of the appraised value of the subjected property for the preceding tax year; (b) the appraised value of the subjected property for the preceding tax year; and (c) the market value of all new improvements to the subjected property (collectively, the "appraisal cap"). After the 2024 tax year, through December 31, 2026, the maximum property value may be increased or decreased by the product of the preceding state fiscal year's increase or decrease in the consumer price index, as applicable, to the maximum property value. The appraisal cap takes effect on January 1, 2024, subject to resolution of several pending election contest lawsuits, challenging the results of the November 7, 2023 election approving SB2.

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 WCAD to compel compliance with the Property Tax Code.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda which could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property values, appraisals 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 the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1. And 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 after January 31 of the following year. 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. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances.

The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, 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 are classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

Special Taxing Units: Special Taxing Units that adopt a total tax rate that would impose more than 1.08 times the amount of the total tax imposed by such district in the preceding tax year on a residence homestead appraised at the average appraised value of a residence homestead in the district, subject to certain homestead exemptions, are required to hold an election within the district to determine whether to approve the adopted total tax rate. If the adopted total tax rate is not approved at the election, the total tax rate for a Special Taxing Unit is the current year's debt service and contract tax rate plus 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 Texas 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: The qualified voters of these Developing Districts, upon a 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: A determination as to a district's status as a Special Taxing Unit, Developed District, or Developing District will be made by the Board of Directors of the District on an annual basis. The Board of Directors of the District has designated the District a Developing District for purposes of the 2023 tax year, but 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 on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL STATEMENT - Overlapping Taxes for 2023". A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Effect of FIRREA on Tax Collections

The "Financial Institutions Reform, Recovery and Enforcement Act of 1989" ("FIRREA") contains 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 lien 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 property taxes when due and (iii) notwithstanding the 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.

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 owned by the FDIC in the District and may prevent the collection of penalties and interest on such taxes.

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 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 governmental immunity, 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 opinions 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.

No-Litigation Certificate

The District will furnish to the Initial Purchaser a certificate, dated as of the Date of Initial 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 Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District from that set forth or contemplated in the Official Statement.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, Bond Counsel will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law") (1) interest on the Bonds for federal income tax purposes 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 item 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 Opinion."

In rendering its opinion, Bond Counsel will rely upon (a) the District's federal tax certificate, and (b) covenants of the District relating to arbitrage and the application of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to comply with these representations or covenants could cause the interest on the Bonds to become included 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 the 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 to 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 Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgement based upon its review of Existing Law and the representations of the District that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of 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 is 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 Bond, 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 (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 the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such 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 of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of 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 accumulated, 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 Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

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

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

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

number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

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"). This 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. 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 under Tables 2 through 12 and in Appendix A, if such audited financial statements as provided in Appendix A are then available. The District will update and provide this information within six months after the end of each fiscal year. The District will provide the updated information to the MSRB.

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, if completed by the required time. If audited financial statements are not available within twelve months after any such fiscal year end, the District will file unaudited financial statements within such twelve-month period and file audited financial statements when the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix A or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 of 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 timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of Beneficial Owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a Financial Obligation (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations) of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the District, any of which reflect financial difficulties. Neither the Bonds nor the Bond Order make any provision for a debt service reserve or a trustee.

For these purposes, any event described in clause (12) of the immediately preceding paragraph 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 of the District 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.

For the purposes of the events described in clauses (15) and (16) of the preceding paragraph, the term “Financial Obligation” is defined in the Bond Order to mean a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or 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 defined in the Securities Exchange Act of 1934, as amended as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Bond Order further provides that the District intends the words used in such clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under “ – Annual Reports.” The District will provide each notice described in this “- Notice of Certain Events” caption to the MSRB in an electronic format and accompanied by identifying information as prescribed by the MSRB.

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described above under “Annual Reports” and “Notice of Certain Events” will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, VA 22314, and its telephone number is (703) 797-6600.

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 registered owners may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (i) the provisions, as so amended, would have permitted an underwriter to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (ii) either (a) the holders of a majority in aggregate principal amount (or any greater amount required by any other provision of this Order that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the past five years, the District has been in compliance in all material respects with its continuing disclosure undertaking in accordance with SEC Rule 15c2-12.

FINANCIAL ADVISOR

The Official Statement was compiled and edited under the supervision of Public Finance Group LLC, which firm was employed in 2014 as Financial Advisor to the District. The fees paid to the Financial Advisor for services rendered in connection with the issuance and sale of the Bonds are based on a percentage of the Bonds actually issued, sold, and delivered, and therefore such fees are contingent on the sale and delivery of the Bonds.

OFFICIAL STATEMENT

Preparation

The District has no employees but engages various professionals and consultants to assist the District in the day-to-day activities of the District. See “THE DISTRICT.” The Board of Directors in its official capacity has relied upon the below mentioned consultants and sources in preparation of this Official Statement. The information in this Official Statement was compiled and edited by the Financial Advisor. In addition to compiling and editing such information, the Financial Advisor has obtained the information set forth herein under the captions indicated from the following sources:

“THE DISTRICT” and “THE SYSTEM” – Jones-Heroy & Associates, Inc. (“Engineer”); “THE DEVELOPER” – WLH Communities – Texas LLC; “FINANCIAL STATEMENT - Unlimited Tax Bonds Authorized But Unissued – Table 5” - Records of the District, “FINANCIAL STATEMENT” – Williamson Central Appraisal District; “FINANCIAL STATEMENT - Estimated Overlapping Debt Statement” - Municipal Advisory Council of Texas and Financial Advisor; “TAX DATA” and “THE SYSTEM – Water, Wastewater and Drainage Operations – Rates and Fees – Table 1” – Records of the District; “THE DISTRICT - Management of the District” - District Directors; “DEBT SERVICE REQUIREMENTS – TABLE 3” - Financial Advisor; “THE BONDS” (except “Payment Record” and “DTC Redemption Provision”), “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” (except in the subheading “Compliance with Prior Undertakings”) - McCall, Parkhurst & Horton L.L.P.

Consultants

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

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

Auditor: The District's financial statements for fiscal year ending September 30, 2022, were audited by Maxwell, Locke & Ritter LLP, Certified Public Accountants, and excerpts of the District's Audited Financial Statements as of September 30, 2022, have been included as Appendix A in reliance upon such firm's authority in the field of accounting.

Tax Assessor/Collector: The information contained in this Official Statement relating to tax collection rates and principal taxpayers has been provided by Mr. Larry Gaddes, in reliance upon his authority in the field of tax assessing and collecting.

Updating the Official Statement During Underwriting Period

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

Certification as to Official Statement

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

Annual Audits

Under Texas Law, the District must keep its fiscal records in accordance with generally accepted accounting principles. It must also have its financial accounts and records audited by a certified or permitted public accountant within 120 days after the close of each fiscal year of the District, and must file each audit report with the TCEQ within 135 days after the close of the fiscal year so long as the District has bonds outstanding. Copies of each audit report must also be filed in the office of the District. The District's fiscal records and audit reports are available for public inspection during regular business hours, and the District is required by law to provide a copy of the District's audit reports to any Registered Owner or other member of the public within a reasonable time on request, upon payment of prescribed charges.

This Official Statement was approved by the Board of Directors of Stonewall Ranch Municipal Utility District, as of the date shown on the first page hereof.

/s/ Kareem T. Hajjar
President, Board of Directors
Stonewall Ranch Municipal Utility District

/s/ Mike Shaw
Secretary, Board of Directors
Stonewall Ranch Municipal Utility District

PHOTOGRAPHS

The following photographs were taken in the District. The homes shown in the photographs are representative of the type of construction presently located within the District, and these photographs are presented solely to illustrate such construction. The District makes no representation that any additional construction such as that as illustrated in the following photographs will occur in the District. See “THE DISTRICT.”









APPENDIX A
Audited Financial Statements

The information contained in this appendix has been excerpted from the audited financial statements of Stonewall Ranch Municipal Utility District for the fiscal year ended September 30, 2022.

**Stonewall Ranch
Municipal Utility District**

**Financial Statements and
Supplemental Information
as of and for the Year Ended
September 30, 2022 and
Independent Auditors' Report**



Stonewall Ranch Municipal Utility District

Table of Contents

	<u>Page</u>
Annual Filing Affidavit	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-9
Basic Financial Statements:	
Statement of Net Position and Governmental Funds Balance Sheet	10
Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	12
Notes to the Basic Financial Statements	13-24
Texas Commission on Environmental Quality Supplemental Information:	
Index of Supplemental Schedules Required by the Texas Commission on Environmental Quality	25
Supplemental Schedules Required by the Texas Commission on Environmental Quality	26-34
Other Supplemental Information-	
Other Supplemental Schedules	35-36

Annual Filing Affidavit

The State of Texas

County of Williamson

I, _____
(Name of Duly Authorized District Representative)

of the Stonewall Ranch Municipal Utility District

hereby swear, or affirm, that the District named above has reviewed and approved at a meeting of the Board of Directors of the District on the _____ day of _____, 20____, its annual audit report for the fiscal year ended September 30, 2022 and that copies of the annual audit report have been filed in the District office, located at c/o McLean & Howard, LLP, Barton Oaks Plaza, Building II, 901 S. Mopac Expressway Suite 225, Austin, Texas 78746.

The annual filing affidavit and the attached copy of the audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of all annual filing requirements within Section 49.194 of the Texas Water Code and to the Texas Comptroller of Public Accounts in satisfaction of the annual filing requirements of Section 140.008 of the Texas Local Government Code.

Date: _____, 20____. By: _____
(Signature of District Representative)

(Typed Name and Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, 20____.

(Signature of Notary)

(SEAL)

(Printed Name of Notary)

My Commission Expires On: _____
Notary Public in and for the State of Texas



MAXWELL LOCKE & RITTER LLP

Accountants and Consultants

An Affiliate of CPAmerica International

tel (512) 370 3200 fax (512) 370 3250

www.mlrpc.com

Austin: 401 Congress Avenue, Suite 1100

Austin, TX 78701

Round Rock: 411 West Main Street, Suite 300

Round Rock, TX 78664

Independent Auditors' Report

To the Board of Directors of
Stonewall Ranch Municipal Utility District:

Opinions

We have audited the financial statements of the governmental activities and each major fund of Stonewall Ranch Municipal Utility District (the "District"), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2022, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

Affiliated Company

ML&R WEALTH MANAGEMENT LLC

"A Registered Investment Advisor"

This firm is not a CPA firm

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information required by the Texas Commission on Environmental Quality (the "TCEQ") listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental information required by the TCEQ listed in the table of contents is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the other supplemental information listed in the table of contents but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other 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.

Maxwell Locke & Ritter LLP

Austin, Texas
February 1, 2023

Stonewall Ranch Municipal Utility District

Management's Discussion and Analysis For the Year Ended September 30, 2022

In accordance with Governmental Accounting Standards Board ("GASB") Statement No. 34, the management of Stonewall Ranch Municipal Utility District (the "District") offers the following narrative on the financial performance of the District for the year ended September 30, 2022. Please read it in connection with the District's financial statements that follow.

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 "Total Governmental Funds" 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.

Financial Highlights

- The assets and deferred outflows of resources of the District exceeded its liabilities by approximately \$139,000 as of September 30, 2022.
- For the 2022 fiscal year, the District levied an ad valorem tax of \$0.8665 on each \$100 of taxable property within the District. Property within the District was valued at approximately \$152.3 million, which resulted in a property tax levy of approximately \$1,325,000 during the year ending September 30, 2022.

Overview of the Basic Financial Statements

The District's reporting is comprised of two parts:

- *Management's Discussion and Analysis* (this section)
- *Basic Financial Statements*
 - *Statement of Net Position and Governmental Funds Balance Sheet*
 - *Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances*
 - *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund*
 - *Notes to the Basic Financial Statements*

Other supplementary information is also included.

The *Statement of Net Position and Governmental Funds Balance Sheet* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. 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 Revenues, Expenditures, and Changes in Fund Balances* includes a column (titled “Total Governmental Funds”) 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.

The *Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund* presents a comparison statement between the District’s adopted budget to its actual results.

The *Notes to the Basic 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 Revenues, Expenditures, and Changes in Fund Balances*.

Schedules required by the Texas Commission on Environmental Quality and other supplemental information are presented immediately following the *Notes to the Basic Financial Statements*.

Comparative Financial Statements

Statement of Net Position

	Governmental Activities		
	2022	2021	% Change
Current assets	\$ 2,096,847	\$ 1,713,570	22.4%
Capital and other assets	12,875,558	13,158,898	(2.2%)
Total assets	<u>\$ 14,972,405</u>	<u>\$ 14,872,468</u>	<u>0.7%</u>
Deferred outflows of resources	<u>\$ 50,266</u>	<u>\$ 54,373</u>	<u>(7.6%)</u>
Current liabilities	\$ 482,509	\$ 444,677	8.5%
Long-term liabilities	14,401,574	14,795,592	(2.7%)
Total liabilities	<u>\$ 14,884,083</u>	<u>\$ 15,240,269</u>	<u>(2.3%)</u>
Net investment in capital assets	\$ (1,627,463)	\$ (1,729,589)	5.9%
Restricted for debt service	275,277	476,896	(42.3%)
Unrestricted	1,490,774	939,265	58.7%
Total net position	<u>\$ 138,588</u>	<u>\$ (313,428)</u>	<u>144.2%</u>

The District’s total assets were approximately \$15.0 million as of September 30, 2022. Of this amount, approximately \$12.7 million is accounted for by capital and intangible assets. The District had outstanding liabilities of approximately \$14.9 million as of September 30, 2022, of which approximately \$14.7 million represents bonds payable.

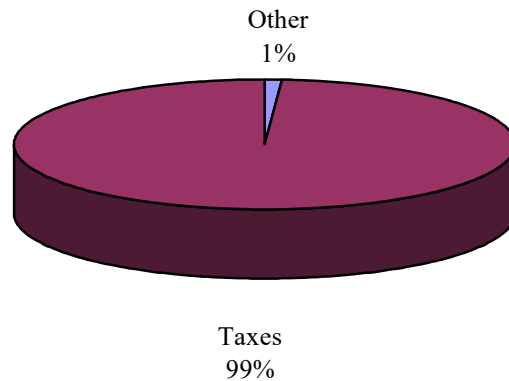
The District’s assessed value for fiscal year 2022 (which is based on the 2021 tax levy) was approximately \$152.3 million compared to approximately \$121.2 million for fiscal year 2021. The tax rate is set after modeling revenue and expenses for the upcoming five-year period. The District’s primary revenue source is property taxes.

Statement of Activities

	Governmental Activities		
	2022	2021	% Change
Property taxes, including penalties	\$ 1,322,318	\$ 1,092,828	21.0%
Interest	8,274	5,954	39.0%
Total revenues	1,330,592	1,098,782	21.1%
Service operations	107,507	345,329	(68.9%)
Debt service	495,232	700,299	(29.3%)
Depreciation and amortization	275,837	261,932	5.3%
Total expenses	878,576	1,307,560	(32.8%)
Change in net position	452,016	(208,778)	316.5%
Beginning net position	(313,428)	(104,650)	(199.5%)
Ending net position	\$ 138,588	\$ (313,428)	144.2%

Operating revenues increased by approximately \$232,000 to approximately \$1,331,000 for the fiscal year ended September 30, 2022. Property taxes generated approximately \$1,322,000 and interest provided approximately \$8,000 in revenues for the fiscal year ended September 30, 2022. Total expenses decreased approximately \$429,000 to approximately \$879,000 for the fiscal year ended September 30, 2022. Net position increased by approximately \$452,000 to an ending balance of approximately \$139,000 for the year ended September 30, 2022.

Sources of Revenue



Analysis of Governmental Funds

	2022	2021	2020
Cash and cash equivalents	\$ 2,035,714	\$ 1,701,612	\$ 1,548,991
Receivables	62,749	12,258	10,147
Prepays	47,525	117	432
Total assets	<u>\$ 2,145,988</u>	<u>\$ 1,713,987</u>	<u>\$ 1,559,570</u>
Accounts payable	\$ 52,898	\$ 18,821	\$ 6,758
Other liabilities	49,325	555	1,420
Total liabilities	<u>102,223</u>	<u>19,376</u>	<u>8,178</u>
Deferred inflows of resources- property taxes	<u>13,608</u>	<u>11,841</u>	<u>8,957</u>
Nonspendable	-	117	432
Restricted	491,996	695,144	655,020
Unassigned	<u>1,538,161</u>	<u>987,509</u>	<u>886,983</u>
Total fund balances	<u>2,030,157</u>	<u>1,682,770</u>	<u>1,542,435</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 2,145,988</u>	<u>\$ 1,713,987</u>	<u>\$ 1,559,570</u>

The *General Fund* pays for daily operating expenditures. When comparing actual figures to the final budget, revenues were more than budgeted by approximately \$10,000 due to more property taxes received than budgeted. Expenditures were less than budgeted by approximately \$287,000 primarily due to less repairs and maintenance expenditures than anticipated. More detailed information about the District's budgetary comparison is presented in the *Basic Financial Statements*.

The *Debt Service Fund* remitted bond principal of \$385,000 and interest of approximately \$489,000 during the 2022 fiscal year. More detailed information about the District's debt is presented in the *Notes to the Basic Financial Statements*.

The *Capital Projects Fund* purchases the District's infrastructure. During the fiscal year, the Capital Projects Fund had no capital outlay expenditures.

Capital and Intangible Assets and Long-Term Debt Activity

Capital Assets, net

	2022	2021
Land	\$ 179,718	\$ 179,718
Drainage facilities	3,689,770	3,689,770
Accumulated depreciation	<u>(208,140)</u>	<u>(134,345)</u>
Total	<u>\$ 3,661,348</u>	<u>\$ 3,735,143</u>

Intangible Assets, net

	2022	2021
Water capacity charges	\$ 3,218,606	\$ 3,218,606
Rights to receive service	6,883,497	6,883,497
Accumulated amortization	(1,051,271)	(849,229)
Total	<u>\$ 9,050,832</u>	<u>\$ 9,252,874</u>

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

Long-Term Debt Activity

	2022	2021
Total bonds outstanding	\$ 14,650,000	\$ 15,035,000
Add: Developer advances	54,754	54,754
Total	<u>\$ 14,704,754</u>	<u>\$ 15,089,754</u>

At September 30, 2022, the District owes approximately \$14.7 million to bond holders. During the 2022 fiscal year, the District made principal payments of \$385,000. At September 30, 2022, the District owed approximately \$55,000 to the developer for advances used to fund operating activities.

Currently Known Facts, Decisions, or Conditions

For fiscal year 2023, the tax rate has been set at \$0.7844 per \$100 of assessed valuation with \$0.3729 for maintenance and operating expenditures and \$0.4115 for debt service expenditures. The adopted budget for fiscal year 2023 projects revenues of approximately \$834,000 and expenditures of approximately \$391,000 for the General Fund.

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 c/o McLean & Howard, LLP, 4301 Bull Creek Road, Suite 150, Austin, TX, 78731.

Stonewall Ranch Municipal Utility District

Statement of Net Position and Governmental Funds Balance Sheet Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Net Position
Assets:						
Cash and cash equivalents	\$ 1,542,102	310,079	183,533	2,035,714	\$ -	\$ 2,035,714
Receivables:						
Taxes	7,367	6,241	-	13,608	-	13,608
Interfund	49,141	-	-	49,141	(49,141)	-
Prepaid items	-	-	47,525	47,525	-	47,525
Bond insurance costs	-	-	-	-	163,378	163,378
Capital assets, net of accumulated depreciation:						
Land	-	-	-	-	179,718	179,718
Drainage facilities	-	-	-	-	3,481,630	3,481,630
Intangible assets, net of accumulated amortization	-	-	-	-	9,050,832	9,050,832
Total assets	<u>\$ 1,598,610</u>	<u>316,320</u>	<u>231,058</u>	<u>2,145,988</u>	<u>12,826,417</u>	<u>14,972,405</u>
Deferred outflows of resources-						
Deferred charges on bond refundings	-	-	-	-	50,266	50,266
Total assets and deferred outflows of resources	<u>\$ 1,598,610</u>	<u>316,320</u>	<u>231,058</u>	<u>2,145,988</u>	<u>12,876,683</u>	<u>15,022,671</u>
Liabilities:						
Accounts payable	\$ 52,898	-	-	52,898	-	52,898
Accrued bond interest payable	-	-	-	-	39,427	39,427
Accrued expenses	184	-	-	184	-	184
Interfund payables	-	1,616	47,525	49,141	(49,141)	-
Long-term liabilities:						
Due within one year	-	-	-	-	390,000	390,000
Due after one year	-	-	-	-	14,346,820	14,346,820
Developer advances	-	-	-	-	54,754	54,754
Total liabilities	<u>53,082</u>	<u>1,616</u>	<u>47,525</u>	<u>102,223</u>	<u>14,781,860</u>	<u>14,884,083</u>
Deferred inflows of resources-						
Property taxes	<u>7,367</u>	<u>6,241</u>	<u>-</u>	<u>13,608</u>	<u>(13,608)</u>	<u>-</u>
Total deferred inflows of resources	<u>7,367</u>	<u>6,241</u>	<u>-</u>	<u>13,608</u>	<u>(13,608)</u>	<u>-</u>
Fund balances / net position:						
Fund balances:						
Restricted for:						
Debt service	-	308,463	-	308,463	(308,463)	-
Capital projects	-	-	183,533	183,533	(183,533)	-
Unassigned	<u>1,538,161</u>	<u>-</u>	<u>-</u>	<u>1,538,161</u>	<u>(1,538,161)</u>	<u>-</u>
Total fund balances	<u>1,538,161</u>	<u>308,463</u>	<u>183,533</u>	<u>2,030,157</u>	<u>(2,030,157)</u>	<u>-</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 1,598,610</u>	<u>316,320</u>	<u>231,058</u>	<u>2,145,988</u>		
Net position:						
Net investment in capital assets					(1,627,463)	(1,627,463)
Restricted for debt service					275,277	275,277
Unrestricted					1,490,774	1,490,774
Total net position					<u>\$ 138,588</u>	<u>\$ 138,588</u>

The notes to the financial statements are an integral part of this statement.

Stonewall Ranch Municipal Utility District

Statement of Activities and Governmental Funds Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2022

	General Fund	Debt Service Fund	Capital Projects Fund	Total Governmental Funds	Adjustments (Note 2)	Statement of Activities
Expenditures / expenses:						
Service operations:						
Audit fees	\$ 16,000	-	-	16,000	-	16,000
Legal fees	13,208	-	-	13,208	-	13,208
Utilities	13,551	-	-	13,551	-	13,551
Bookkeeping fees	18,836	-	-	18,836	-	18,836
Repairs and maintenance	19,585	-	-	19,585	-	19,585
Director fees, including payroll taxes	3,060	-	-	3,060	-	3,060
Tax appraisal/collection fees	3,571	3,693	-	7,264	-	7,264
Insurance	3,752	-	-	3,752	-	3,752
Engineering fees	6,918	-	-	6,918	-	6,918
Other	5,117	216	-	5,333	-	5,333
Debt service:						
Bond principal	-	385,000	-	385,000	(385,000)	-
Bond interest	-	488,531	-	488,531	6,301	494,832
Fiscal agent fees and other	-	400	-	400	-	400
Depreciation	-	-	-	-	73,795	73,795
Amortization	-	-	-	-	202,042	202,042
Total expenditures / expenses	103,598	877,840	-	981,438	(102,862)	878,576
Revenues:						
Property taxes, including penalties	\$ 648,739	671,812	-	1,320,551	1,767	1,322,318
Interest	5,394	2,325	555	8,274	-	8,274
Total revenues	654,133	674,137	555	1,328,825	1,767	1,330,592
Excess (deficiency) of revenues over (under) expenditures / expenses	550,535	(203,703)	555	347,387	(347,387)	-
Change in fund balances	550,535	(203,703)	555	347,387	(347,387)	-
Change in net position	-	-	-	-	452,016	452,016
Fund balances / net position:						
Beginning of the year	987,626	512,166	182,978	1,682,770	(1,996,198)	(313,428)
End of the year	\$ 1,538,161	308,463	183,533	2,030,157	(1,891,569)	138,588

The notes to the financial statements are an integral part of this statement.

Stonewall Ranch Municipal Utility District

Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund Year Ended September 30, 2022

	Original and Final Budget	Actual	Variance
Revenues:			
Property taxes, including penalties	\$ 641,827	648,739	6,912
Interest	2,500	5,394	2,894
Total revenues	644,327	654,133	9,806
Expenditures:			
Service operations:			
Audit fees	\$ 16,000	16,000	-
Legal fees	30,000	13,208	16,792
Utilities	14,000	13,551	449
Bookkeeping fees	20,000	18,836	1,164
Repairs and maintenance	250,000	19,585	230,415
Director fees, including payroll taxes	10,000	3,060	6,940
Tax appraisal/collection fees	9,000	3,571	5,429
Insurance	5,000	3,752	1,248
Engineering fees	20,000	6,918	13,082
Other	16,500	5,117	11,383
Total expenditures	390,500	103,598	286,902
Excess of revenues over expenditures	253,827	550,535	296,708
Fund balance:			
Beginning of the year	987,626	987,626	-
End of the year	\$ 1,241,453	1,538,161	296,708

The notes to the financial statements are an integral part of this statement.

Stonewall Ranch Municipal Utility District

Notes to the Basic Financial Statements Year Ended September 30, 2022

1. Summary of Significant Accounting Policies

Stonewall Ranch Municipal Utility District (the “District”), was created, organized and established on March 28, 2006, by the Texas Commission on Environmental Quality (formerly the Texas Water Commission) pursuant to the provisions of Chapter 54 of the Texas Water Code. The District is a political subdivision of the State of Texas and operates under an elected Board of Directors (the “Board”).

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 which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the Governmental Accounting Standards Board (“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.

Government-Wide and Fund Financial Statements

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 “Total Governmental Funds” 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 government-wide financial statements report information on all of the activities of the District. The effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the expenses are offset by program revenues. Program revenues, if any, include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by the District. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are 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 related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Amounts reported as program revenues, if any, include charges to customers or applicants for goods, services, or privileges provided. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Major revenue sources considered susceptible to accrual include interest income. No accrual for property taxes collected within sixty days of year end has been made as such amounts are deemed immaterial; delinquent property taxes at year end are reported as deferred inflows of resources.

The District reports the following major governmental funds:

The General Fund accounts for financial resources used for general operations. It is a budgeted fund, and any unassigned fund balance is considered resources available for current operations.

The Debt Service Fund includes debt service taxes and other revenues collected to retire bond principal and to pay interest due.

The Capital Projects Fund is used to account for financial resources restricted for authorized construction and other capital asset acquisitions.

Budgets and Budgetary Accounting

Formal budgetary integration is employed as a management control device for the General Fund. Formal budgetary integration is not employed for the Debt Service Fund or the Capital Projects Fund. The budget is proposed by the District's accountant for the fiscal year commencing the following October 1, and is adopted on the modified accrual basis, which is consistent with generally accepted accounting principles.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balances

Cash and Cash Equivalents - Includes cash on deposit as well as money market funds.

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

Capital Assets - Capital assets, which include land and drainage facilities, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of at least \$5,000. Such assets are recorded at historical cost if purchased or estimated acquisition value at the date of donation if donated. The costs of normal maintenance and repairs that do not add value of the assets or materially extend the assets' lives are not capitalized. Drainage facilities are depreciated using the straight-line method over the estimated useful life of fifty years.

Intangible Assets - Intangible assets, which include water capacity charges and rights to receive service, are reported in the governmental activities column in the government-wide financial statements. Intangible assets are defined by GASB Statement No. 51 as assets which lack physical substance, are nonfinancial in nature, and have an initial useful life extending beyond a single reporting period. Such assets are recorded at historical cost if purchased or estimated fair value at the date of donation if donated. Intangible assets are amortized using the straight-line method over the estimated benefit periods of the assets, which is fifty years.

Interfund Transactions - Transfers from one fund to another fund are reported as interfund receivables and payables if there is an 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.

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 discounts are deferred over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond insurance costs are reported as assets and amortized over the term of the related debt.

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 expenditures during the period incurred in both the fund and government-wide financial statements.

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. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectibles 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.

Fund Equity - The District complies with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. See Note 10 for additional information on those fund balance classifications.

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

The District complies with GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. See Note 7 for additional information on deferred outflows of resources.

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

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

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

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

Use of Estimates - The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, 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.

Change in Accounting Principles for Recently Adopted Accounting Pronouncements

In June 2017, the GASB issued GASB Statement No. 87, *Leases*, effective for fiscal years beginning after June 15, 2021. The objective of GASB Statement No. 87 is to improve accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. GASB Statement No. 87 establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under GASB Statement No. 87, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and deferred inflow of resources. These changes had no impact on the District's financial statements for the year ended September 30, 2022.

In June 2018, the GASB issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, effective for fiscal years beginning after December 15, 2020. The objective of GASB Statement No. 89 is to enhance the relevance and comparability of information about capital assets and to simplify accounting for interest costs incurred before the end of a construction period. Under GASB Statement No. 89, interest costs are no longer capitalized as part of the asset but are shown as an expenditure in the fund financial statements and as an expense in the government-wide financial statements. These changes had no impact on the District's financial statements for the year ended September 30, 2022.

2. Reconciliation of Government-Wide and Fund Financial Statements

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds total fund balance	\$ 2,030,157
Prepaid bond insurance costs are recorded as expenditures in the funds, but are amortized over the life of the related bonds in the statement of net position.	163,378
Capital and intangible assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of accumulated depreciation	3,661,348
Intangible assets, net of accumulated amortization	9,050,832
Deferred tax revenue is not available to pay for current-period expenditures and, therefore, is deferred in the funds.	13,608
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Bonds payable, net of bond premiums and discounts	(14,736,820)
Less: Deferred charges on bond refundings	50,266
Developer advances	(54,754)
Accrued bond interest payable	<u>(39,427)</u>
Total net position	<u>\$ 138,588</u>

Amounts reported for governmental activities in the statement of activities are different because:

Change in governmental funds fund balance	\$ 347,387
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation and amortization expense.	
Depreciation	(73,795)
Amortization - intangible assets	(202,042)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	1,767
Bond proceeds and developer advances provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal and developer advances are an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Repayment of bond principal	385,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Change in bond interest payable	1,291
Amortization of deferred charges on bond refundings	(4,107)
Amortization of bond premium	4,235
Amortization of bond discount	(217)
Amortization of bond insurance costs	<u>(7,503)</u>
Change in net position	<u>\$ 452,016</u>

3. Cash and Cash Equivalents

The District's deposits are required to be secured in a manner provided by law for the security of the funds. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2022, the District's bank deposits were entirely covered by Federal Deposit Insurance Corporation ("FDIC") insurance or secured by collateral pledged by the depository.

The Public Funds Investment Act authorizes the District to invest in funds under a written investment policy. The District's deposits are invested pursuant to the investment policy, which is approved annually by the Board. The primary objectives of the District's investment strategy, in order of priority, are safety of principal, liquidity, return on investment, and standard of care.

The District is entitled to invest in the following:

- Obligations of the United States or its agencies and instrumentalities;
- 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 if the obligation is not:
 - An obligation whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;
 - An obligation whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;
 - A collateralized mortgage obligation that has a stated final maturity date of greater than 10 years; and
 - A collateralized mortgage obligation the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.
- Other obligations, the principal and interest of which are unconditionally 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 FDIC or by the explicit full faith and credit of the United States;
- Obligations of states, agencies, counties, cities and other political subdivisions of any state rated as to investment quality by a nationally recognized rating firm not less than "A" or its equivalent;
- Certificates of deposit issued by a state or national bank domiciled in the same state or a savings and loan association domiciled in the same state and is guaranteed or insured by the FDIC or its successor or secured by obligations described above which have a market value at least equal to the deposit and are pledged to the District only and held by a third-party custodian;

- Fully insured certificates of deposit purchased from a broker or a bank that has its main office or a branch in the State of Texas and is selected from the list of qualified brokers approved in the District's investment policy. All investments in such brokered certificates of deposit shall be made on a delivery versus payment basis to the District's safekeeping agent, and the Investment Officer shall verify that the bank is fully insured with the FDIC prior to purchase. In the event that any bank from which the District has purchased a brokered certificate of deposit merges with, or is acquired by, another bank in which brokered certificates of deposit are owned by the District, the Investment Officer shall immediately contact the banks to liquidate any brokered certificate that exceeds FDIC insurance levels;
- An investment pool that meets the requirements of the Public Funds Investment Act;
- Other investments authorized by law and approved by the Board by resolution or minute entry.

At September 30, 2022, the District held no investments.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as interfund receivables or interfund payables. The composition of interfund balances as of September 30, 2022 is as follows:

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 1,616
General	Capital Projects	\$ 47,525

5. Capital Assets

Capital asset activity for the year ended September 30, 2022 was as follows:

	Balance September 30, 2021	Additions	Retirements and Transfers	Balance September 30, 2022
Capital asset not being depreciated-				
Land	\$ 179,718	-	-	179,718
Capital assets being depreciated-				
Drainage facilities	3,689,770	-	-	3,689,770
Less accumulated depreciation for-				
Drainage facilities	(134,345)	(73,795)	-	(208,140)
Total capital assets being depreciated, net	3,555,425	(73,795)	-	3,481,630
Capital assets, net	\$ 3,735,143	(73,795)	-	3,661,348

6. Intangible Assets

Intangible assets activity for the year ended September 30, 2022 was as follows:

	Balance September 30, 2021	Additions	Retirements and Transfers	Balance September 30, 2022
Water capacity charges	\$ 3,218,606	-	-	3,218,606
Rights to receive service	6,883,497	-	-	6,883,497
Total intangible assets	10,102,103	-	-	10,102,103
Less: accumulated amortization	(849,229)	(202,042)	-	(1,051,271)
Intangible assets, net	<u>\$ 9,252,874</u>	<u>(202,042)</u>	<u>-</u>	<u>9,050,832</u>

7. Deferred Charges on Bond Refunding

The following is a summary of changes in deferred charges on bond refundings for the year ended September 30, 2022:

	Balance September 30, 2021	Additions	Retirements	Balance September 30, 2022
Deferred charges on bond refundings	<u>\$ 54,373</u>	<u>-</u>	<u>(4,107)</u>	<u>50,266</u>

8. Long-Term Debt

The following is a summary of changes in long-term debt for the year ended September 30, 2022:

	Balance September 30, 2021	Additions/ Refundings	Retirements	Balance September 30, 2022
Bonds payable:				
Series 2015	\$ 2,210,000	-	(130,000)	2,080,000
Series 2016	1,555,000	-	(5,000)	1,550,000
Series 2018	2,455,000	-	(50,000)	2,405,000
Series 2019	3,350,000	-	(75,000)	3,275,000
Series 2020	2,990,000	-	(75,000)	2,915,000
Series 2021	2,475,000	-	(50,000)	2,425,000
Discount on bond issuances	(5,062)	-	217	(4,845)
Premium on bond issuances	95,900	-	(4,235)	91,665
Total	<u>\$ 15,125,838</u>	<u>-</u>	<u>(389,018)</u>	<u>14,736,820</u>

Bonds payable at September 30, 2022 consisted of the following:

Series	Description	Matures	Interest Rates	Balance September 30, 2022	Due within one year
2015	Unlimited Tax Refunding Bonds	2035	3.95%	\$ 2,080,000	\$ 130,000
2016	Unlimited Tax Bonds	2041	2.00-3.75%	1,550,000	5,000
2018	Unlimited Tax Bonds	2043	3.00-5.00%	2,405,000	55,000
2019	Unlimited Tax Bonds	2044	3.00-5.00%	3,275,000	75,000
2020	Unlimited Tax Bonds	2044	3.00%	2,915,000	75,000
2021	Unlimited Tax Bonds	2045	1.50-3.50%	2,425,000	50,000
	Total			<u>\$ 14,650,000</u>	<u>\$ 390,000</u>

The District's bonds are secured by and payable from a first lien and pledge of ad valorem taxes of the District.

Debt service requirements to maturity for District's bonds are summarized as follows:

Fiscal Year	Principal	Interest	Total Requirement
2023	\$ 390,000	\$ 473,117	\$ 863,117
2024	400,000	457,363	857,363
2025	430,000	441,106	871,106
2026	465,000	423,401	888,401
2027	470,000	405,703	875,703
2028-2032	2,800,000	1,786,413	4,586,413
2033-2037	3,265,000	1,298,513	4,563,513
2038-2042	3,805,000	736,296	4,541,296
2043-2045	2,625,000	133,275	2,758,275
Total	<u>\$ 14,650,000</u>	<u>\$ 6,155,187</u>	<u>\$ 20,805,187</u>

The District's bonds are secured by and payable from a first lien and pledge of ad valorem taxes of the District.

At September 30, 2022, unlimited tax bonds totaling \$14,320,000 and parks and recreational facilities bonds totaling \$1,915,000 were authorized by the District, but unissued.

9. Property Taxes

The Texas Water Code authorizes the District to levy a tax each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located within its boundaries. Assessed values are established annually by the Williamson Central Appraisal District. District property tax revenues are recognized when levied to the extent that they are collected in the current year. The uncollected balance is reported as deferred inflows of resources. Taxes receivable are due January 1 and are delinquent if received after January 31 and are subject to penalty and interest charges.

In September 2021, the District levied a combined tax rate of \$0.8665 per \$100 of assessed valuation to finance operating expenditures and debt service requirements. The maintenance tax rate and the debt service tax rate were \$0.4260 and \$0.4405, respectively, for fiscal year 2022. The total 2021 tax levy was \$1,324,831 based on a taxable valuation of \$152,265,047.

10. Fund Balances

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

Nonspendable - Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed - Amounts that can only be used for specific purposes pursuant to approval by formal action by the Board.

Assigned - For the General Fund, amounts that are appropriated by the Board that are to be used for specific purposes. For all other governmental funds, any remaining positive amounts not previously classified as nonspendable, restricted or committed.

Unassigned - Amounts that are available for any purpose; these amounts can be reported only in the District's General Fund.

The detail of the fund balances is included in the Governmental Funds Balance Sheet on page 10.

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

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

11. 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 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. During the year ended September 30, 2022, there were no significant reductions in insurance coverage from coverage in the prior year. No claims were filed during the last three years.

12. Commitments and Contingencies

The District is currently under development, and the construction of facilities is being paid by the developers of the District. The Board of the District authorized the funding of the projects and the reimbursement to the developer for the cost of the projects out of bond proceeds when the bonds are authorized and issued. The bond proceeds will be used to purchase all of the capital assets within the District including related infrastructure. As of September 30, 2022, the estimate of total bonds needed to purchase the remaining infrastructure was \$14,320,000. The developer of the land within the District has incurred costs related to the construction of facilities. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues, subject to approval by the Texas Commission on Environmental Quality. In addition, at September 30, 2022, the District owed \$54,754 to the developer for advances used to fund operating activities.

13. Subsequent Event

On October 25, 2022, the District issued \$4,250,000 Unlimited Tax Bonds, Series 2022. The proceeds were used to finance the following: (i) a portion of the costs for water, wastewater, and drainage facilities to serve Stonewall Ranch Section 8; (ii) land acquisition costs; and (iii) water, wastewater, and drainage facilities to serve Stonewall Ranch Sections 9 and 10. The remaining proceeds were used to: (i) pay \$382,500 of capitalized interest; (ii) pay developer interest; and (iii) pay other costs associated with the bond issuance.

Stonewall Ranch Municipal Utility District

Index of Supplemental Schedules Required by Texas Commission on Environmental Quality September 30, 2022

Schedule Included		
Yes	No	
<u>X</u>	<u> </u>	TSI-0 Notes Required by the Water District Accounting Manual
<u>X</u>	<u> </u>	TSI-1 Schedule of Services and Rates
<u>X</u>	<u> </u>	TSI-2 Schedule of General Fund Expenditures
<u> </u>	<u>X</u>	TSI-3 Schedule of Temporary Investments
<u>X</u>	<u> </u>	TSI-4 Analysis of Taxes Levied and Receivable
<u>X</u>	<u> </u>	TSI-5 Long-Term Debt Service Requirements by Years
<u>X</u>	<u> </u>	TSI-6 Analysis of Changes in Long-Term Bonded Debt
<u>X</u>	<u> </u>	TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund - Five Years Ended September 30, 2022
<u>X</u>	<u> </u>	TSI-8 Board Members, Key Personnel and Consultants

Stonewall Ranch Municipal Utility District

TSI-0 Notes Required by the Water District Accounting Manual September 30, 2022

The notes which follow are not necessarily required for fair presentation of the audited basic financial statements of the District which are contained in the preceding section of this report. They are presented in conformity with requirements of the Texas Commission on Environmental Quality to assure disclosure of specifically required facts.

(A) Creation of District

See Note 1 to the basic financial statements.

(B) Contingent Liabilities

See Note 12 to the basic financial statements.

(C) Pension Coverage

Not applicable.

(D) Pledge of Revenues

See Note 8 to the basic financial statements.

(E) Compliance with Debt Service Requirements

The provisions of the bond resolutions as summarized in Note 8 to the basic financial statements relating to debt service requirements have been met.

(F) Redemption of Bonds

See Note 8 to the basic financial statements.

Stonewall Ranch Municipal Utility District

TSI-1 Schedule of Services and Rates

September 30, 2022

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

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

2. Retail Service Providers

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

	Minimum Charge	Minimum	Flat Rate Y/N	Rate per 1000 Gallons Over Minimum	Usage Levels
Water:	\$ - ⁽¹⁾	-	N	\$ -	-
Wastewater:	\$ - ⁽¹⁾	-	N	\$ -	-
Surcharge:	\$ -	-	-	\$ -	-
District employs winter averaging for wastewater usage? Yes <input type="checkbox"/>			No <input checked="" type="checkbox"/>		
Total charges per 10,000 gallons usage:	Water	\$ -	Wastewater	\$ -	

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC's
Unmetered	0.0	0.0	1.0	0.0
< 3/4"	0.0	0.0	1.0	0.0
1"	0.0	0.0	2.5	0.0
1 1/2"	0.0	0.0	5.0	0.0
2"	0.0	0.0	8.0	0.0
3"	0.0	0.0	15.0	0.0
4"	0.0	0.0	25.0	0.0
6"	0.0	0.0	50.0	0.0
8"	0.0	0.0	80.0	0.0
10"	0.0	0.0	115.0	0.0
Total Water	0.0 ⁽¹⁾	0.0 ⁽¹⁾		0.0
Total Wastewater	0.0 ⁽¹⁾	0.0 ⁽¹⁾	1.0	0.0

(1) The District receives service from the City of Georgetown. As a result, service rates are set by the City of Georgetown, not the District.

(continued)

Stonewall Ranch Municipal Utility District

TSI-1 Schedule of Services and Rate (continued) September 30, 2022

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

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

n/a

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

Does the District assess standby fees? Yes ☐ No ☒

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

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

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

5. Location of District

County(ies) in which district is located: _____ Williamson

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

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

City(ies) in which district is located: _____

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: _____ Liberty Hill

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

(1) The District receives service from the City of Georgetown.

Stonewall Ranch Municipal Utility District

TSI-2 Schedule of General Fund Expenditures September 30, 2022

Personnel expenditures (including benefits)	\$ -
Professional fees:	
Auditing	16,000
Legal	13,208
Engineering	6,918
Financial advisor	-
Purchased services for resale-	
Bulk water and wastewater purchases	-
Contracted services:	
Bookkeeping	18,836
General manager	-
Appraisal district	3,571
Tax collector	-
Other contracted services	-
Utilities	13,551
Repairs and maintenance	19,585
Administrative expenditures:	
Directors' fees	3,060
Office supplies	-
Insurance	3,752
Other administrative expenditures	5,117
Capital outlay:	
Capitalized assets	-
Expenditures not capitalized	-
Tap connection expenditures	-
Solid waste disposal	-
Fire fighting	-
Parks and recreation	-
Other expenditures	-
Total expenditures	<u>\$ 103,598</u>

Number of persons employed by the District: 0 Full-Time 5 Part-Time

Stonewall Ranch Municipal Utility District

TSI-4 Analysis of Taxes Levied and Receivable September 30, 2022

				Maintenance Taxes	Debt Service Taxes
Taxes receivable, September 30, 2021				\$ 6,393	\$ 5,448
2021 Tax roll				651,331	673,500
Adjustments				(2,630)	(2,719)
Total to be accounted for				655,094	676,229
Tax collections:					
Current year				647,246	669,227
Prior years				481	761
Total collections				647,727	669,988
Taxes receivable, September 30, 2022				<u>\$ 7,367</u>	<u>\$ 6,241</u>
Taxes receivable, by years					
2016				1,272	684
2017				1,132	875
2018				1,340	748
2019				1,187	965
2020				992	1,476
2021				1,444	1,493
Taxes receivable, September 30, 2022				<u>\$ 7,367</u>	<u>\$ 6,241</u>
Property valuations-	2021	2020	2019	2018	2017
Land and improvements	<u>\$ 152,265,047</u>	<u>\$ 121,236,408</u>	<u>\$ 100,850,630</u>	<u>\$ 78,190,398</u>	<u>\$ 63,414,435</u>
Total property valuations	<u>\$ 152,265,047</u>	<u>\$ 121,236,408</u>	<u>\$ 100,850,630</u>	<u>\$ 78,190,398</u>	<u>\$ 63,414,435</u>
Tax rates per \$100 valuation:					
Debt Service tax rates	\$ 0.4405	\$ 0.5385	\$ 0.4035	\$ 0.3225	\$ 0.3930
Maintenance tax rates	<u>0.4260</u>	<u>0.3615</u>	<u>0.4965</u>	<u>0.5775</u>	<u>0.5085</u>
Total tax rates per \$100 valuation:	<u>\$ 0.8665</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9000</u>	<u>\$ 0.9015</u>
Original tax levy	<u>\$ 1,324,831</u>	<u>\$ 1,093,431</u>	<u>\$ 918,198</u>	<u>\$ 715,873</u>	<u>\$ 576,923</u>
Percent of taxes collected to taxes levied **	<u>99.78%</u>	<u>99.87%</u>	<u>99.77%</u>	<u>99.71%</u>	<u>99.65%</u>
Maximum Tax Rate Approved by Voters:	\$ 1.00	on 11/15/2006			

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

Stonewall Ranch Municipal Utility District

TSI-5 Long-Term Debt Service Requirements by Years September 30, 2022

Due During Fiscal Years Ending 9/30	Unlimited Tax Refunding Bonds, Series 2015			Unlimited Tax Bonds, Series 2016			Unlimited Tax Bonds, Series 2018			Unlimited Tax Bonds, Series 2019			Unlimited Tax Bonds, Series 2020			Unlimited Tax Bonds, Series 2021			Annual Requirements For All Series		
	Principal Due 9/01	Interest Due 3/01,9/01	Total	Principal Due 9/01	Interest Due 3/01,9/01	Total	Principal Due 9/01	Interest Due 3/01,9/01	Total	Principal Due 9/01	Interest Due 3/01,9/01	Total	Principal Due 9/01	Interest Due 3/01,9/01	Total	Principal Due 9/01	Interest Due 3/01,9/01	Total	Principal Due 9/01	Interest Due 3/01,9/01	Total
2023	\$ 130,000	82,160	212,160	5,000	57,044	62,044	55,000	88,775	143,775	75,000	105,813	180,813	75,000	89,950	164,950	50,000	49,375	99,375	390,000	473,117	863,117
2024	135,000	77,025	212,025	5,000	56,925	61,925	60,000	86,025	146,025	75,000	102,063	177,063	75,000	87,700	162,700	50,000	47,625	97,625	400,000	457,363	857,363
2025	140,000	71,693	211,693	5,000	56,750	61,750	60,000	83,025	143,025	100,000	98,313	198,313	75,000	85,450	160,450	50,000	45,875	95,875	430,000	441,106	871,106
2026	155,000	66,163	221,163	5,000	56,575	61,575	55,000	80,025	135,025	100,000	93,313	193,313	100,000	83,200	183,200	50,000	44,125	94,125	465,000	423,401	888,401
2027	155,000	60,040	215,040	5,000	56,400	61,400	60,000	78,375	138,375	100,000	88,313	188,313	100,000	80,200	180,200	50,000	42,375	92,375	470,000	405,703	875,703
2028	165,000	53,918	218,918	5,000	56,225	61,225	60,000	76,575	136,575	100,000	85,313	185,313	100,000	77,200	177,200	75,000	41,625	116,625	505,000	390,856	895,856
2029	170,000	47,400	217,400	5,000	56,050	61,050	65,000	74,700	139,700	100,000	82,312	182,312	125,000	74,200	199,200	75,000	40,500	115,500	540,000	375,162	915,162
2030	180,000	40,685	220,685	5,000	55,875	60,875	65,000	72,588	137,588	125,000	79,313	204,313	125,000	70,450	195,450	75,000	39,375	114,375	575,000	358,286	933,286
2031	190,000	33,575	223,575	5,000	55,700	60,700	65,000	70,475	135,475	125,000	75,563	200,563	125,000	66,700	191,700	75,000	38,250	113,250	585,000	340,263	925,263
2032	195,000	26,070	221,070	5,000	55,525	60,525	70,000	68,363	138,363	125,000	71,813	196,813	125,000	62,950	187,950	75,000	37,125	112,125	595,000	321,846	916,846
2033	200,000	18,368	218,368	5,000	55,350	60,350	75,000	65,913	140,913	125,000	68,063	193,063	125,000	57,950	182,950	75,000	36,000	111,000	605,000	301,644	906,644
2034	210,000	10,468	220,468	5,000	55,175	60,175	75,000	63,288	138,288	125,000	64,312	189,312	150,000	52,950	202,950	75,000	34,500	109,500	640,000	280,693	920,693
2035	55,000	2,173	57,173	150,000	55,000	205,000	100,000	60,663	160,663	125,000	60,563	185,563	150,000	48,450	198,450	50,000	33,000	83,000	630,000	259,849	889,849
2036	-	-	-	200,000	49,750	249,750	115,000	57,163	172,163	150,000	56,063	206,063	150,000	43,950	193,950	75,000	32,000	107,000	690,000	238,926	928,926
2037	-	-	-	200,000	42,750	242,750	125,000	53,138	178,138	150,000	51,563	201,563	150,000	39,450	189,450	75,000	30,500	105,500	700,000	217,401	917,401
2038	-	-	-	225,000	35,250	260,250	115,000	48,606	163,606	150,000	47,063	197,063	150,000	34,950	184,950	75,000	29,000	104,000	715,000	194,869	909,869
2039	-	-	-	225,000	26,813	251,813	125,000	44,438	169,438	150,000	42,563	192,563	150,000	30,450	180,450	75,000	27,500	102,500	725,000	171,764	896,764
2040	-	-	-	240,000	18,375	258,375	125,000	39,750	164,750	150,000	37,875	187,875	150,000	25,950	175,950	75,000	26,000	101,000	740,000	147,950	887,950
2041	-	-	-	250,000	9,375	259,375	130,000	35,063	165,063	175,000	33,187	208,187	150,000	21,450	171,450	100,000	24,500	124,500	805,000	123,575	928,575
2042	-	-	-	-	-	-	395,000	30,188	425,188	175,000	28,500	203,500	175,000	16,950	191,950	75,000	22,500	97,500	820,000	98,138	918,138
2043	-	-	-	-	-	-	410,000	15,375	425,375	175,000	23,250	198,250	175,000	11,700	186,700	75,000	21,000	96,000	835,000	71,325	906,325
2044	-	-	-	-	-	-	-	-	-	600,000	18,000	618,000	215,000	6,450	221,450	75,000	19,500	94,500	890,000	43,950	933,950
2045	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	900,000	18,000	918,000	900,000	18,000	918,000
	<u>\$ 2,080,000</u>	<u>589,738</u>	<u>2,669,738</u>	<u>1,550,000</u>	<u>910,907</u>	<u>2,460,907</u>	<u>2,405,000</u>	<u>1,292,511</u>	<u>3,697,511</u>	<u>3,275,000</u>	<u>1,413,131</u>	<u>4,688,131</u>	<u>2,915,000</u>	<u>1,168,650</u>	<u>4,083,650</u>	<u>2,425,000</u>	<u>780,250</u>	<u>3,205,250</u>	<u>14,650,000</u>	<u>6,155,187</u>	<u>20,805,187</u>

Stonewall Ranch Municipal Utility District

TSI-6 Analysis of Changes in Long-Term Bonded Debt September 30, 2022

	<u>Bond Issue</u> <u>Series 2015</u>	<u>Bond Issue</u> <u>Series 2016</u>	<u>Bond Issue</u> <u>Series 2018</u>	<u>Bond Issue</u> <u>Series 2019</u>	<u>Bond Issue</u> <u>Series 2020</u>	<u>Bond Issue</u> <u>Series 2021</u>	<u>Total</u>
Interest rate	3.95%	2.00-3.75%	3.00-5.00%	3.00-5.00%	3.00%	1.50-3.50%	
Dates interest payable	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	3/1 ; 9/1	
Maturity dates	9/1/2035	9/1/2041	9/1/2043	9/1/2044	9/1/2044	9/1/2045	
Bonds outstanding at beginning of current fiscal year	\$ 2,210,000	\$ 1,555,000	\$ 2,455,000	\$ 3,350,000	\$ 2,990,000	\$ 2,475,000	\$ 15,035,000
Issuances during the current fiscal year:	-	-	-	-	-	-	-
Retirements during the current fiscal year: Principal	(130,000)	(5,000)	(50,000)	(75,000)	(75,000)	(50,000)	(385,000)
Bonds outstanding at end of current fiscal year	<u>\$ 2,080,000</u>	<u>\$ 1,550,000</u>	<u>\$ 2,405,000</u>	<u>\$ 3,275,000</u>	<u>\$ 2,915,000</u>	<u>\$ 2,425,000</u>	<u>\$ 14,650,000</u>
Interest paid during the current fiscal year	<u>\$ 87,295</u>	<u>\$ 57,156</u>	<u>\$ 91,275</u>	<u>\$ 109,563</u>	<u>\$ 92,200</u>	<u>\$ 51,042</u>	<u>\$ 488,531</u>
Paying agent's name & address:	<u>BOKF, N.A.</u> <u>Austin, Texas</u>	<u>BOKF, N.A.</u> <u>Austin, Texas</u>	<u>UMB Bank, NA</u> <u>Austin, Texas</u>	<u>UMB Bank, NA</u> <u>Austin, Texas</u>	<u>UMB Bank, NA</u> <u>Austin, Texas</u>	<u>UMB Bank, NA</u> <u>Austin, Texas</u>	

Bond Authority:	<u>Tax Bonds*</u>	<u>Refunding Bonds</u>	<u>Parks and Recreational Facilities Bonds</u>	<u>Refunding Bonds - Parks and Recreational Facilities</u>
Amount authorized by voters	\$ 30,500,000	\$ 45,750,000	\$ 1,915,000	\$ 2,872,500
Amount issued	16,180,000	2,845,000	-	-
Remaining to be issued	<u>\$ 14,320,000</u>	<u>\$ 42,905,000</u>	<u>\$ 1,915,000</u>	<u>\$ 2,872,500</u>

* Includes all bonds secured with tax revenues. Bonds in this category may also be secured with other revenues in combination with taxes.

Debt Service Fund Cash and Temporary Investments balances as of September 30, 2022	<u>\$ 310,079</u>
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:	<u>\$ 904,573</u>

Stonewall Ranch Municipal Utility District

TSI-7 Comparative Schedule of Revenues and Expenditures - General Fund and Debt Service Fund Five Years Ended September 30, 2022

	Amounts					Percentage of Fund Total Revenues				
	2022	2021	2020	2019	2018	2022	2021	2020	2019	2018
General fund revenues:										
Property taxes, including penalties	\$ 648,739	\$ 438,064	\$ 505,999	\$ 458,182	\$ 326,682	99.2%	99.3%	98.2%	97.1%	98.4%
Interest	5,394	3,092	9,147	13,830	5,327	0.8%	0.7%	1.8%	2.9%	1.6%
Total general fund revenues	654,133	441,156	515,146	472,012	332,009	100.0%	100.0%	100.0%	100.0%	100.0%
General fund expenditures:										
Audit fees	16,000	16,000	15,500	15,500	15,000	2.4%	3.6%	3.0%	3.3%	4.5%
Legal fees	13,208	11,127	15,182	24,821	14,708	2.0%	2.5%	2.9%	5.3%	4.4%
Utilities	13,551	12,863	10,747	12,885	10,564	2.1%	2.9%	2.1%	2.7%	3.2%
Bookkeeping fees	18,836	18,433	18,859	19,908	17,489	2.9%	4.2%	3.7%	4.2%	5.3%
Repairs and maintenance	19,585	249,152	13,012	58,182	25,099	3.0%	56.5%	2.5%	12.3%	7.6%
Director fees, including payroll taxes	3,060	4,521	6,459	6,597	3,414	0.5%	1.0%	1.3%	1.4%	1.0%
Tax appraisal/collection fees	3,571	2,539	3,096	2,810	3,693	0.5%	0.6%	0.6%	0.6%	1.1%
Insurance	3,752	2,732	2,753	2,656	2,612	0.6%	0.6%	0.5%	0.6%	0.8%
Engineering fees	6,918	18,499	6,201	10,572	12,981	1.1%	4.2%	1.2%	2.2%	3.9%
Other	5,117	5,079	13,028	6,206	3,663	0.7%	1.2%	2.5%	1.3%	1.1%
Capital outlay	-	-	780,121	-	-	-	-	151.4%	-	-
Total general fund expenditures	103,598	340,945	884,958	160,137	109,223	15.8%	77.3%	171.7%	33.9%	32.9%
Excess (deficiency) of general fund revenues over (under) expenditures	\$ 550,535	\$ 100,211	\$ (369,812)	\$ 311,875	\$ 222,786	84.2%	22.7%	-71.7%	66.1%	67.1%
Debt service fund revenues and other financing sources:										
Property taxes, including penalties	\$ 671,812	\$ 651,880	\$ 410,595	\$ 255,759	\$ 252,287	99.7%	85.5%	67.7%	37.1%	99.2%
Interest	2,325	2,551	4,945	7,348.00	2,146	0.3%	0.3%	0.8%	1.0%	0.8%
Bond proceeds	-	107,958	191,302	426,663	-	-	14.2%	31.5%	61.9%	-
Total debt service fund revenues and other financing sources	674,137	762,389	606,842	689,770	254,433	100.0%	100.0%	100.0%	100.0%	100.0%
Debt service fund expenditures:										
Tax appraisal/collection fees	3,693	3,781	2,515	1,569	-	0.5%	0.5%	0.4%	0.2%	-
Bond principal	385,000	280,000	250,000	165,000	105,000	57.1%	36.7%	41.2%	23.9%	41.3%
Bond interest	488,531	478,670	413,303	248,311	162,593	72.4%	62.7%	68.1%	36.0%	63.9%
Fiscal agent fees and other	400	400	400	400	400	0.1%	0.1%	0.1%	0.1%	0.2%
Other	216	203	168	117	73	0.1%	0.1%	-	-	-
Total debt service fund expenditures	877,840	763,054	666,386	415,397	268,066	130.2%	100.1%	109.8%	60.2%	105.4%
Excess (deficiency) of debt service fund revenues and other financing sources over (under) expenditures	\$ (203,703)	\$ (665)	\$ (59,544)	\$ 274,373	\$ (13,633)	-30.2%	-0.1%	-9.8%	39.8%	-5.4%
Total active retail water connections	(1)	(1)	(1)	(1)	(1)					
Total active retail wastewater connections	(1)	(1)	(1)	(1)	(1)					

(1) District receives service from the City of Georgetown.

Stonewall Ranch Municipal Utility District

TSI-8 Board Members, Key Personnel and Consultants September 30, 2022

Complete District Mailing Address:	c/o McLean & Howard, LLP Barton Oaks Plaza, Building II, 901 S. Mopac Expressway Suite 225, Austin, Texas 78746
District Business Telephone Number:	(512) 328-2008
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	April 20, 2022
Limits on Fees of Office that a Director may receive during a fiscal year: (Set by Board Resolution TWC Section 49.060)	\$7,200

Name and Address:	Term of Office (Elected or Appointed) or Date Hired	Fees of Office Paid *	Expense Reimbursements	Title at Year End
Board Members:				
Kareem T. Hajjar	(Elected) 5/2020-5/2024	\$ 450	\$ -	President
Scott Wuest	(Elected) 5/2020-5/2024	\$ 700	\$ -	Vice-President
Michael Shaw	(Appointed) 5/2022-5/2026	\$ 700	\$ -	Secretary
Graham Carter	(Elected) 5/2022-5/2026	\$ 700	\$ -	Treasurer/ Asst. Secretary
Melissa Neslund	(Elected) 5/2022-5/2026	\$ 300	\$ -	Asst. Secretary
Consultants:				
Montoya & Monzingo, LLP	6/2006	\$ 20,615	\$ -	Bookkeeper
Maxwell Locke & Ritter LLP	4/2011	\$ 16,000	\$ -	Auditor
Public Finance Group	8/2009	\$ 2,060	\$ -	Financial Advisor
Williamson County Tax Collector	11/2006	\$ 7,095	\$ -	Tax Collector
Jones-Heroy & Associates	3/2012	\$ 15,754	\$ -	Engineer
McLean & Howard L.L.P.	4/2017	\$ 14,063	\$ -	Attorney

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

Stonewall Ranch Municipal Utility District

OSI-1 Schedule of Principal Taxpayers September 30, 2022

Taxpayer	Type of Property	Tax Roll Year		
		2022	2021	2020
WLH Communities LLC	Real Land & Improvements	\$ 20,411,771	\$ 6,562,316	\$ 1,711,000
Garner, J. R.	Real Land & Improvements	2,634,382	569,364	486,718
Godey, Prashanth	Real Land & Improvements	966,043	-	-
OpenDoorProperty Trust I	Real Land & Improvements	891,166	-	-
Russo, S. A. & A. L.	Real Land & Improvements	853,413	581,686	-
Stolt, G.A. & J.H.	Real Land & Improvements	794,805	510,943	447,025
Romney, Ryan & Jessica	Real Land & Improvements	769,557	-	-
Yates, M.J.	Real Land & Improvements	749,393	502,186	379,187
Captex Properties LLC	Real Land & Improvements	698,030	474,388	-
Forbes, Marcus D, & Elizabeth R Shotwell	Real Land & Improvements	656,991	-	-
Project Royal LP	Real Land & Improvements	-	2,324,597	5,504,978
Wright, L.A. & M.D.	Real Land & Improvements	-	711,661	516,843
Compagno B.J. & D.E., Trustees Compagno Family Trust	Real Land & Improvements	-	710,089	587,741
WLH Communities LLC	Real Land & Improvements	-	671,000	1,097,178
WLH Communities LLC	Real Land & Improvements	-	-	846,616
Gray, L.E. & L.C.	Real Land & Improvements	-	-	333,682
Total		<u>\$ 29,425,551</u>	<u>\$ 13,618,230</u>	<u>\$ 11,910,968</u>
Percent of Assessed Valuation		<u>10.1%</u>	<u>7.8%</u>	<u>8.7%</u>

Stonewall Ranch Municipal Utility District

OSI-2 Schedule of Assessed Value by Classification September 30, 2022

Type of Property	Tax Roll Year					
	2022		2021		2020	
	Amount	%	Amount	%	Amount	%
Residence (Single Family)	\$ 247,634,498	84.6%	\$ 144,238,091	82.8%	\$ 108,137,215	79.1%
Real, Vacant Platted Lots/Tracts	84,354	0.1%	-	0.0%	-	0.0%
Vacant Lot	-	0.0%	-	0.0%	285	0.0%
Acreage	3,733,330	1.3%	4,485,553	2.6%	2,416,308	1.8%
Tangible Personal Business	368,201	0.1%	404,733	0.2%	103,901	0.1%
Real Inventory	26,349,896	9.0%	12,539,857	7.2%	14,188,052	10.4%
Exempt Property	14,429,309	4.9%	12,464,636	7.2%	11,823,759	8.7%
Total *	<u>\$ 292,599,588</u>	<u>100.0%</u>	<u>\$ 174,132,870</u>	<u>100.0%</u>	<u>\$ 136,669,520</u>	<u>100.0%</u>

* A portion of this balance is under ARB Review.

APPENDIX B
Form of Bond Counsel 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.]*

**STONEWALL RANCH MUNICIPAL UTILITY DISTRICT
UNLIMITED TAX BONDS, SERIES 2024
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,450,000**

AS BOND COUNSEL FOR STONEWALL RANCH 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 January 10, 2024 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, that the interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. 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 by the District 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 upon a failure by the District 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. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. 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 purpose 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,

APPENDIX C
Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100