

PRELIMINARY OFFICIAL STATEMENT DATED AUGUST 11, 2025

This Preliminary Official Statement is subject to completion and amendment and is intended solely for the solicitation of initial bids to purchase the Bonds. Upon sale of the Bonds, the Official Statement will be completed and delivered to the Initial Purchasers.

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

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

NEW ISSUE-Book-Entry-Only

LONE OAK FARM MUNICIPAL UTILITY DISTRICT

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

**\$7,400,000
UNLIMITED TAX BONDS
SERIES 2025A**

**\$3,000,000
UNLIMITED TAX ROAD BONDS
SERIES 2025B**

Dated Date: November 1, 2025

Due: September 1, as shown on the inside cover

Interest Accrual Date: Date of Delivery

The \$7,400,000 Unlimited Tax Bonds, Series 2025A (the "Series 2025A Bonds") and the \$3,000,000 Unlimited Tax Road Bonds, Series 2025B (the "Series 2025B Road Bonds") (collectively referred to herein as the "Bonds") are obligations solely of Lone Oak Farm Municipal Utility District (the "District") and are not obligations of the State of Texas, Guadalupe County, Texas, the City of New Braunfels, Texas, or any entity other than the District. THE PURCHASE AND OWNERSHIP OF THE BONDS ARE SUBJECT TO SPECIAL RISK FACTORS AND ALL PROSPECTIVE PURCHASERS ARE URGED TO EXAMINE CAREFULLY THIS ENTIRE OFFICIAL STATEMENT WITH RESPECT TO THE INVESTMENT SECURITY OF THE BONDS, INCLUDING PARTICULARLY THE SECTION CAPTIONED "RISK FACTORS."

Principal of the Bonds is payable at maturity or prior redemption at the principal payment office of the paying agent/registrar, initially BOKF, NA in Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds accrues from the initial date of delivery (expected to be on or about November 4, 2025) (the "Date of Delivery") and is payable on each September 1 and March 1 (each an "Interest Payment Date") commencing March 1, 2026, until maturity or prior redemption. The Bonds will be issued only in fully registered form and in denominations of \$5,000 each or integral multiples thereof. The Bonds mature and are subject to redemption prior to their maturity as shown on the inside cover.

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

See "MATURITY SCHEDULES" on the inside cover.

The Bonds, when issued, will constitute valid and legally binding obligations of the District and will be payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District, as further described herein.

The Bonds are offered when, as and if issued by the District, subject, among other things, to the approval of the Bonds by the Attorney General of Texas and the approval of certain legal matters by McLean & Howard, L.L.P., Bond Counsel, Austin, Texas and McCall, Parkhurst & Horton L.L.P., Special Tax Counsel, Dallas, Texas. Delivery of the Bonds in book-entry form through DTC is expected on or about November 4, 2025.

**Bids Due: Thursday, October 2, 2025, at 9:00 A.M., Central Daylight Time, in Austin, Texas
Bid Award: Thursday, October 2, 2025, at 12:00 P.M., Central Daylight Time, in Austin, Texas**

MATURITY SCHEDULES

\$7,400,000 SERIES 2025A BONDS

<u>Due</u> <u>(Sept. 1)</u>	<u>Principal</u> <u>Amount (a)</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (b)</u>	<u>CUSIP</u> <u>Number (c)</u>	<u>Due</u> <u>(Sept. 1)</u>	<u>Principal</u> <u>Amount (a)</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (b)</u>	<u>CUSIP</u> <u>Number (c)</u>
2027	\$ 160,000				2039	\$ 295,000 (d)			
2028	170,000				2040	315,000 (d)			
2029	180,000				2041	330,000 (d)			
2030	190,000				2042	345,000 (d)			
2031	195,000				2043	365,000 (d)			
2032	210,000 (d)				2044	385,000 (d)			
2033	220,000 (d)				2045	405,000 (d)			
2034	230,000 (d)				2046	425,000 (d)			
2035	240,000 (d)				2047	450,000 (d)			
2036	255,000 (d)				2048	470,000 (d)			
2037	270,000 (d)				2049	495,000 (d)			
2038	280,000 (d)				2050	520,000 (d)			

\$3,000,000 SERIES 2025B ROAD BONDS

<u>Due</u> <u>(Sept. 1)</u>	<u>Principal</u> <u>Amount (a)</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (b)</u>	<u>CUSIP</u> <u>Number (c)</u>	<u>Due</u> <u>(Sept. 1)</u>	<u>Principal</u> <u>Amount (a)</u>	<u>Interest</u> <u>Rate</u>	<u>Initial</u> <u>Reoffering</u> <u>Yield (b)</u>	<u>CUSIP</u> <u>Number (c)</u>
2027	\$ 65,000				2039	\$ 120,000 (d)			
2028	70,000				2040	125,000 (d)			
2029	70,000				2041	135,000 (d)			
2030	75,000				2042	140,000 (d)			
2031	80,000				2043	150,000 (d)			
2032	85,000 (d)				2044	155,000 (d)			
2033	90,000 (d)				2045	165,000 (d)			
2034	95,000 (d)				2046	170,000 (d)			
2035	100,000 (d)				2047	180,000 (d)			
2036	105,000 (d)				2048	190,000 (d)			
2037	110,000 (d)				2049	200,000 (d)			
2038	115,000 (d)				2050	210,000 (d)			

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

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USE OF INFORMATION IN OFFICIAL STATEMENT

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the “SEC”), as amended and in effect on the date hereof, this document constitutes an Official Statement of the District with respect to the Bonds that has been deemed “final” by the District as of its date except for the omission of no more than the information permitted by SEC Rule 15c2-12.

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

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

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

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

Neither the District nor the Initial Purchasers make any representations as to the accuracy, completeness, or adequacy of the information supplied by The Depository Trust Company for use in this Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE BONDS

<i>Description...</i>	The \$7,400,000 Unlimited Tax Bonds, Series 2025A (the “Series 2025A Bonds”) and the \$3,000,000 Unlimited Tax Road Bonds, Series 2025B (the “Series 2025B Road Bonds”) (collectively referred to herein as the “Bonds”) are being issued as fully registered bonds pursuant to separate resolutions (collectively, the “Bond Resolutions”) authorizing the issuance of each series of the Bonds adopted by the Board of Directors (the “Board”) of Lone Oak Farm Municipal Utility District (the “District”). The Series 2025A Bonds and the Series 2025B Road Bonds are scheduled to mature serially on September 1 in each of the years 2027 through 2050, both inclusive, each in the principal amounts and accruing interest at the rates shown on the inside cover hereof. The Bonds will be issued in denominations of \$5,000 or integral multiples of \$5,000. Interest on the Bonds accrues from the Date of Delivery (expected to be on or about November 4, 2025), and is payable on March 1, 2026, and on each September 1 and March 1 thereafter, until maturity or prior redemption. See “THE BONDS.”
<i>Book-Entry-Only System...</i>	The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each series and maturity of the Bonds and will be deposited with DTC or its designee. See “BOOK-ENTRY-ONLY SYSTEM.”
<i>Redemption...</i>	The Bonds maturing on or after September 1, 2032, are subject to redemption prior to maturity at the option of the District, in whole or, from time to time in part, on September 1, 2031, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions.”
<i>Use of Proceeds for the Series 2025A Bonds...</i>	Proceeds of the Series 2025A Bonds will be used to pay for engineering and construction costs associated with sanitary sewer shown herein under “THE SYSTEM—Use and Distribution of Series 2025A Bond Proceeds.” In addition, Series 2025A Bond proceeds will be used to finance wastewater impact fees and to capitalize twelve (12) months of interest on the Series 2025A Bonds; to pay for interest on funds advanced by the Developer on behalf of the District; and to pay engineering fees, administrative costs, and certain other costs related to the issuance of the Series 2025A Bonds. See “THE SYSTEM—Use and Distribution of Series 2025A Bond Proceeds.”

Use of Proceeds for the

Series 2025B Road Bonds... Proceeds of the Series 2025B Road Bonds will be used to finance road facilities as described herein under “THE ROAD SYSTEM—Use and Distribution of Series 2025B Road Bond Proceeds.” In addition, the Series 2025B Road Bond proceeds will be used to capitalize twelve (12) months of interest on the Series 2025B Road Bonds; to pay interest on funds advanced by the Developer on behalf of the District; to pay engineering fees and administrative costs; and to pay certain other costs related to the issuance of the Series 2025B Road Bonds. See “THE ROAD SYSTEM—Use and Distribution of Series 2025B Road Bond Proceeds.”

Authority for Issuance...

The Series 2025A Bonds are the second series of bonds issued out of an aggregate of \$481,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities. The Series 2025A Bonds are issued by the District pursuant to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 7888, Texas Special District Local Laws Code, an election held within the District, an order of the Texas Commission on Environmental Quality (the “TCEQ”) approving the issuance of said bonds, and the terms and conditions of a resolution authorizing the issuance of the Series 2025A Bonds (the “Series 2025A Bond Resolution”). See and “RISK FACTORS—Future Debt,” “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”

The Series 2025B Road Bonds are the second series of bonds issued out of an aggregate of \$174,000,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of financing and constructing road facilities to serve the land within its boundaries. The Series 2025B Road Bonds are issued by the District pursuant to the terms and conditions of a resolution authorizing the issuance of the Series 2025B Road Bonds (the “Series 2025B Road Bond Resolution”), Article III, Section 52 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 7888, Texas Special District Local Laws Code, an election held within the District, and the general laws of the State of Texas relating to the issuance of bonds by political subdivisions of the State of Texas. See “RISK FACTORS—Future Debt,” “THE BONDS—Authority for Issuance,” and “—Issuance of Additional Debt.”

Source of Payment...

Principal of and interest on the Bonds are payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See “TAX PROCEDURES” The Bonds are obligations of the District and are not obligations of the State of Texas, Guadalupe County, the City of New Braunfels or any other political subdivision or agency other than the District. See “THE BONDS—Source and Security for Payment.”

Payment Record...

The District has previously issued one series of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and one series of unlimited tax bonds for the purpose of acquiring or constructing road facilities, of which the District has \$15,605,000 principal amount of bonds outstanding (the “Outstanding Bonds”) as of September 1, 2025. The District has never defaulted on the debt service payments on the Outstanding Bonds. See “FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds.”

*Not Qualified Tax-Exempt
Obligations...*

The Bonds will not be designated as “qualified tax-exempt obligations” for financial institutions within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended.

*Municipal Bond Rating
and*

Municipal Bond Insurance... The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made. Application has been made to various municipal bond insurance companies for qualification of each series of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the applicable Initial Purchaser and at the applicable Initial Purchaser's expense. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance" and "MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE."

Bond Counsel... McLean & Howard, L.L.P., Austin, Texas. See "MANAGEMENT OF THE DISTRICT—District Consultants" and "LEGAL MATTERS."

Special Tax Counsel... McCall, Parkhurst & Horton L.L.P., Dallas, Texas.

Financial Advisor... Masterson Advisors LLC, Houston, Texas.

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

Engineer... Jones-Heroy & Associates, Inc., Austin, Texas.

Paying Agent/Registrar... BOKF, NA, Dallas, Texas. See "THE BONDS—Method of Payment of Principal and Interest."

THE DISTRICT

Description... The District was created by Senate Bill 2558, an act of the 86th Legislature of the State of Texas, Regular Session (2019) and codified as Chapter 7888 of the Special District Local Laws Code (the "Act"). The District contains approximately 481 acres of land after annexations in March 2021 of approximately 116 acres, May 2022 of approximately 141 acres, August 2024 of approximately 11 acres, and May 2025 of approximately 9 acres. The District is located in Guadalupe County, Texas (the "County") near the intersection of Highway 123 and F.M. 758, approximately 13 miles east of the City of New Braunfels, Texas (the "City") and approximately 10 miles north of the City of Seguin. The District lies totally within the extraterritorial jurisdiction of the City and within Navarro Independent School District. See "THE DISTRICT."

Status of Development... The District is being developed primarily for single family residential purposes as Navarro Ranch and Jaro. Navarro Ranch is being developed by Lennar Homes of Texas Land and Construction, Ltd. Water, sanitary sewer and drainage facilities have been constructed to serve Navarro Ranch, Units 1A, 1B, 1C, 2A, 2B, 2C, 3A, 3B, and 4 through 7 (approximately 261 acres of land developed into 1,168 single-family residential lots). Jaro South has been developed by NB Dean 32, LLC. Water, sanitary sewer and drainage facilities have been constructed to serve Jaro South, Units 1 and 2 (approximately 20 acres of land developed into 119 single-family residential lots). As of August 1, 2025, the District contained 986 single-family homes completed and occupied, 67 single-family homes completed and not occupied, 24 single-family homes in various stages of construction, 2 model homes, and 208 vacant developed lots available to new home construction. The current builder in Navarro Ranch and Jaro is Lennar Homes (defined herein). New homes in the District range in offering prices from approximately \$200,000 to \$380,000 with square footage ranging from 1,800 to 3,000 square feet.

Construction of water, sanitary sewer, and drainage facilities to serve Navarro Ranch, Unit 8 (approximately 47 acres of land being developed into 138 single-family residential lots) and Jaro North, Unit 1 (approximately 36 acres of land being developed into 119 single-family residential lots) is underway.

In addition to the development described above, an amenity center which includes a playground, a swimming pool with water slides, an event space, and gym has been constructed on approximately 9 acres. The District also includes approximately 55 acres of developable land which has not been provided with underground water, sanitary sewer and drainage facilities and approximately 53 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses. See “THE DISTRICT – Status of Development.”

*The Developers /
Principal Landowners...*

Lennar Homes of Texas Land and Construction, Ltd., a Texas limited partnership, (“Lennar Homes”), has developed water, sewer and drainage facilities to serve specific sections within the District known as Navarro Ranch. NB Dean 32, LLC (“NB Dean”), a Texas limited liability company, developed water, sewer and drainage facilities to serve Jaro South. Lennar Homes and NB Dean may be collectively referred to herein as the “Developers.” Lennar Homes is wholly owned by Lennar Corporation (“Lennar”), a publicly traded corporation whose stock is listed on the New York Stock Exchange under the ticker symbol “LEN.” Lennar’s activities include homebuilding, real estate investments, residential and commercial developments, and financial services operations throughout the United States. In May 2022, the District annexed an adjacent tract of undeveloped land owned by BG Land Development LLC (“BG Land”), a Texas limited liability company. NB Dean and BG Land are under common ownership and control. See “THE DEVELOPERS/PRINCIPAL LANDOWNERS.”

RISK FACTORS

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

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SELECTED FINANCIAL INFORMATION (UNAUDITED)

2025 Taxable Assessed Valuation.....	\$198,391,086 (a)
Estimated Taxable Assessed Valuation as of August 1, 2025	\$207,225,172 (b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....	\$26,005,000 (c)
Estimated Overlapping Debt	11,918,994 (d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$37,923,994
Ratios of Gross Direct Debt to:	
2025 Taxable Assessed Valuation.....	13.11%
Estimated Taxable Assessed Valuation as of August 1, 2025	12.55%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2025 Taxable Assessed Valuation.....	19.12%
Estimated Taxable Assessed Valuation as of August 1, 2025	18.30%
2024 Debt Service Tax Rate.....	\$0.32
2024 Maintenance and Operations Tax Rate.....	0.40
2024 Total Tax Rate.....	\$0.72
Anticipated 2025 Debt Service Tax Rate	\$0.60
Anticipated 2025 Maintenance and Operations Tax Rate	0.12
Anticipated 2025 Total Tax Rate	\$0.72 (e)
Average Annual Debt Service Requirement (2026-2050) of the Bonds and the Outstanding Bonds ("Average Requirement") at an estimated interest rate of 5.25%	\$1,791,295 (f)
Maximum Annual Debt Service Requirement (2048) of the Bonds and the Outstanding Bonds ("Maximum Requirement") at an estimated interest rate of 5.25%	\$1,898,713 (f)
Tax Rate Required to Pay Average Requirement (2026-2050) at a 95% Collection Rate:	
Based upon 2025 Taxable Assessed Valuation	\$0.96 (g)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2025	\$0.91 (g)
Tax Rate Required to Pay Maximum Requirement (2048) at a 95% Collection Rate:	
Based upon 2025 Taxable Assessed Valuation	\$1.01 (g)
Based upon Estimated Taxable Assessed Valuation as of August 1, 2025	\$0.97 (g)
Status of Development as of August 1, 2025:	
Single-Family Residential – Homes Completed and Occupied.....	986
Single-Family Residential – Homes Completed and Unoccupied.....	67
Single-Family Residential – Homes Under Construction	24
Single-Family Residential – Vacant Developed Lots.....	208
Model Homes	2
Total Connections	1,287

Estimated 2025 Population — 3,451 (h)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$191,691,407 of certified value and \$6,699,679 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Guadalupe Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on August 1, 2025. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025 and August 1, 2025, will be certified as of January 1, 2026, and provided for purposes of taxation in the summer of 2026. See "TAX PROCEDURES."
- (c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."
- (d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
- (e) Represents anticipated tax rates, the District may ultimately levy different tax rates. See "TAX DATA—Historical Tax Rate Distribution."
- (f) See "DEBT SERVICE REQUIREMENTS."
- (g) See "TAX DATA—Tax Adequacy for Debt Service."
- (h) Estimate based on 3.5 persons per occupied single-family residence.

PRELIMINARY OFFICIAL STATEMENT

LONE OAK FARM MUNICIPAL UTILITY DISTRICT

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

\$7,400,000

UNLIMITED TAX BONDS SERIES 2025A

\$3,000,000

UNLIMITED TAX ROAD BONDS SERIES 2025B

This Preliminary Official Statement provides certain information in connection with the issuance by Lone Oak Farm Municipal Utility District (the “District”) of its \$7,400,000 Unlimited Tax Bonds, Series 2025A (the “Series 2025A Bonds”) and the \$3,000,000 Unlimited Tax Road Bonds, Series 2025B (the “Series 2025B Road Bonds”) (collectively referred herein as the “Bonds”).

The Series 2025A Bonds are issued by the District pursuant to an order of the Texas Commission on Environmental Quality (the “TCEQ”) approving the issuance of the Series 2025A Bonds, Article XVI, Section 59 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 7888, Texas Special District and Local Laws Code, an election held within the District, and a resolution authorizing the issuance, sale and delivery of the Series 2025A Bonds (the “Series 2025A Bond Resolution”) adopted by the Board of Directors of the District (the “Board”).

The Series 2025B Road Bonds are issued by the District pursuant to the terms and provisions of Article III, Section 52 of the Texas Constitution, the general laws of the State of Texas, including, without limitation, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 7888, Texas Special District and Local Laws Code, an election held within the District, and a resolution authorizing the issuance, sale and delivery of the Series 2025B Road Bonds (the “Series 2025B Road Bond Resolution”) adopted by the Board.

The Series 2025A Bond Resolution and the Series 2025B Road Bond Resolution are collectively referred to herein as the “Bond Resolutions.”

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

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

RISK FACTORS

General

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

Economic Factors and Interest Rates

A substantial percentage of the taxable value of the District results from the current market value of single-family residences and of developed lots which are currently being marketed by the Developers for sale to homebuilders for the construction of primary residences. The market value of such homes and lots is related to general economic conditions in the Austin region and the national economy and those conditions can affect the demand for residences. Demand for lots of this type and the construction of residential dwellings thereon can be significantly affected by factors such as interest rates, credit availability (see “—Credit Market and Liquidity in the Financial Markets” herein), construction costs and the prosperity and demographic characteristics of the urban center 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 such values.

Impact on District Tax Rate

Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of District property owners to pay their taxes. The 2025 Taxable Assessed Valuation of the District is \$198,391,086 (\$191,691,407 certified plus \$6,699,679 uncertified) and the Estimated Taxable Assessed Valuation as of August 1, 2025, is \$207,225,172 (see “FINANCIAL STATEMENT (UNAUDITED)”). After issuance of the Bonds, the maximum annual debt service requirement will be \$1,898,713 (2048) and the average annual debt service requirement will be \$1,791,295 (2026-2050). Assuming no increase or decrease from the 2025 Taxable Assessed Valuation and no use of funds other than tax collections, a tax rate of \$1.01 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement of \$1,898,713 and a tax rate of \$0.96 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement of \$1,791,295 (see “TAX DATA—Tax Adequacy for Debt Service”). Assuming no increase or decrease from the Estimated Taxable Assessed Valuation as of August 1, 2025, the issuance of no additional debt, and no other funds available for the payment of debt service, a tax rate of \$0.97 per \$100 of taxable assessed valuation at a ninety-five percent (95%) collection rate would be necessary to pay the maximum annual debt service requirement and \$0.91 per \$100 of taxable assessed valuation would be necessary to pay the average annual debt service requirement. Although calculations have been made regarding average and maximum tax rates necessary to pay the debt service on the Bonds and the Outstanding Bonds (defined herein) based upon the 2025 Taxable Assessed Valuation, the District can make no representations regarding the future level of assessed valuation within the District. Increases in the tax rate may be required in the event the District's assessed valuation does not continue to increase or in the event major taxpayers do not pay their District taxes timely. Increases in taxable values depend primarily on the continuing construction and sale of homes and other taxable improvements within the District. See “TAX DATA—Tax Adequacy for Debt Service” and “TAX PROCEDURES.”

Dependence Upon Developers and Homebuilder

The Developers, principal landowners and active homebuilder are the principal taxpayers in the District. The growth of the tax base is dependent upon additional construction of homes within the District. The Developers are under no obligation to continue to market developed tracts of land for improvement. Thus, the furnishing of information related to the proposed development by the Developers should not be interpreted as such a commitment by the Developers. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developers, the homebuilder within the District, or other entities to whom such parties may sell all or a portion of their holdings within the District to implement any plan of development. Furthermore, there is no restriction on the Developer's right to sell its land. The District can make no prediction as to the effects that current or future economic or governmental circumstances may have on any plans of the Developers. Failure to construct taxable improvements on developed lots and tracts or failure of the Developers to develop its land would restrict the rate of growth of taxable value in the District. See “THE DISTRICT—Status of Development” and “THE DEVELOPERS/PRINCIPAL LANDOWNERS.”

Based upon the most recently available information from the Guadalupe Central Appraisal District, the principal taxpayers in the District represented \$11,558,698 or approximately 6.03% of the District's 2025 Certified Taxable Assessed Valuation of \$198,391,086. As of January 1, 2025, the Developers and their related entities owned property located within the District, the total aggregate assessed value of which comprised approximately 0.44% of the District's total assessed valuation. If the Developers (or other principal taxpayer) were to default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Resolutions to maintain any specified amount of surplus in its debt service fund. See "Tax Collection Limitations" in this section, "TAX DATA—Principal Taxpayers," and "TAX PROCEDURES—Levy and Collection of Taxes."

Increase in Costs of Building Materials

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

Undeveloped Acreage and Vacant Lots

There are approximately 55 developable acres that have not been provided with water distribution, wastewater collection, and storm drainage facilities and 208 developed lots that remain vacant as of August 1, 2025. The District makes no representation as to when or if the undeveloped land will be developed or if construction of homes on vacant lots will occur. See "THE DISTRICT – Status of Development."

Rental Homes

Several of the homes constructed in Navarro Ranch (approximately 1,168 single-family residential lots) and Jaro (119 single-family residential lots) are owned by Upward America Central REIT TRS LP, as rental properties. It is anticipated that Upward America Central REIT TRS LP will continue to own homes constructed in Navarro Ranch and Jaro and will continue to be a principal taxpayer. On the 2025 certified tax roll, such taxpayer represents a total of \$413,950 or 0.22% of the 2025 Certified Taxable Assessed Valuation of \$191,691,407. See "TAX DATA—Principal Taxpayers."

Upward America Central REIT TRS LP as the owner of the homes in Navarro Ranch and Jaro, is responsible for the payment of property taxes, maintenance of the homes and the landscape maintenance of the front yards.

Future Debt

At a bond election held within the District on November 3, 2020, the voters of the District authorized the issuance of a total of \$481,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer, and drainage facilities to serve the District and a total of \$174,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road improvements. After issuance of the Bonds, the District will have \$463,700,000 of authorized but unissued unlimited tax bonds for water, sanitary sewer, and drainage facilities and \$165,175,000 of authorized but unissued unlimited tax bonds for road facilities. At the same election, the voters of the District authorized the issuance of a total of \$721,500,000 principal amount of unlimited tax bonds for refunding bonds issued for the water, sanitary sewer, and drainage facilities and \$261,000,000 principal amount of unlimited tax bonds for refunding bonds issued for road purposes. All of such bonds remain authorized but unissued. See "THE BONDS—Issuance of Additional Debt." The issuance of such future obligations may adversely affect the investment security of the Bonds. The District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. Any bonds issued by the District, however, must be approved by the Attorney General of Texas and the Board of the District and any bonds issued to acquire or construct water, sanitary sewer and drainage facilities must be approved by the TCEQ. Any additional bonds issued by the District may dilute the security for the Bonds.

The Developers have financed the engineering and construction costs of underground utilities to serve the District, as well as certain other District improvements. After reimbursement from the proceeds of the Bonds, the Developers will have expended approximately \$37,283,536 (as of August 1, 2025) for design, construction and acquisition of District improvements not yet reimbursed. It is anticipated that proceeds from future issues of District bonds will be used, in part, to reimburse the Developers for these costs to the extent allowed by the Commission. According to the Engineer, the District's authorized but unissued bonds will be adequate, under present land use projections, to finance such improvements.

Specific Flood Type Risks

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

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

Environmental Regulations

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

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

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

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

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

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

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

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

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

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), 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.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on August 15, 2024. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 Permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

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

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

Tax Collections Limitations and Foreclosure Remedies

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other local taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see “ESTIMATED OVERLAPPING DEBT STATEMENT—Overlapping Taxes for 2024.”), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers’ right to redeem property within two years of foreclosure for residential and agricultural use property and six months for other property). Finally, any bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor’s confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and, second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies and Bankruptcy Limitations

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Resolutions, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Resolutions, the Registered Owners have the statutory right of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Resolutions. Except for mandamus, the Bond Resolutions do not specifically provide for remedies to protect and enforce the interests of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

Statutory language authorizing local governments such as the District to sue and be sued does not waive the local government's sovereign immunity from suits for money damages, so that in the absence of other waivers of such immunity by the Texas Legislature, a default by the District in its covenants in the Bond Resolutions may not be reduced to a judgment for money damages. If such a judgment against the District were obtained, it could not be enforced by direct levy and execution against the District's property. Further, the Registered Owners cannot themselves foreclose on property within the District or sell property within the District to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. The enforceability of the rights and remedies of the Registered Owners may further be limited by a State of Texas statute reasonably required to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

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

Notwithstanding noncompliance by a district with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking 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 appealable, the concomitant delay and loss of remedies to the Registered Owner 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 Registered Owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of the Registered Owners' claims against a district.

A district may not be forced into involuntary bankruptcy.

Continuing Compliance with Certain Covenants

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

Marketability

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

Potential Impact of Natural Disaster

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

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

2025 Legislative Session

The 89th Regular Legislative Session convened on January 14, 2025, and concluded on June 2, 2025. The Texas Legislature meets in regular session in odd numbered years for 140 days. When the Texas 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. The Governor called a Second Special Session which concluded on September 3, 2025. The District can make no representation regarding any actions the Texas Legislature may take or the effect of such actions.

Changes in Tax Legislation

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

Approval of the Bonds

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

Risk Factors Related to the Purchase of Municipal Bond Insurance

The District has applied for a bond insurance policy (the "Policy") on each series of Bonds to guarantee the scheduled payment of principal and interest on the Bonds. If the Policy is purchased, investors should be aware of the following risk factors:

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

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

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

THE BONDS

Description

The Bonds will be dated November 1, 2025, with interest payable each September 1 and March 1, beginning March 1, 2026 (each an “Interest Payment Date”), and will mature on the dates and in the principal amounts and accrue interest at the rates shown on the inside cover page hereof. Interest on the Bonds initially accrues from the Date of Delivery (expected on or about November 4, 2025), and thereafter, from the most recent Interest Payment Date. The Bonds are issued in fully registered form, in denominations of \$5,000 or any integral multiple of \$5,000. Interest calculations are based on a 360-day year comprised of twelve 30-day months.

Method of Payment of Principal and Interest

In the Bond Resolutions, the Board has appointed BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar for the Bonds (the “Paying Agent/Registrar”). The principal of the Bonds shall be payable, without exchange or collection charges, in any coin or currency of the United States of America, which, on the date of payment, is legal tender for the payment of debts due the United States of America. In the event the book-entry system is discontinued, principal of the Bonds shall be payable upon presentation and surrender of the Bonds as they respectively become due and payable, at the principal payment office of the Paying Agent/Registrar in Dallas, Texas and interest on each Bond shall be payable by check payable on each Interest Payment Date, mailed by the Paying Agent/Registrar on or before each Interest Payment Date to the registered owner of record (the “Registered Owner”) as of the close of business on February 15 or August 15 immediately preceding each Interest Payment Date (defined herein as the “Record Date”), to the address of such Registered Owner as shown on the Paying Agent/Registrar's records (the “Register”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owners at the risk and expense of the Registered Owners. If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day, as defined in the Bond Resolutions.

Source and Security for Payment

While the Bonds, the Outstanding Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are appraised, levied and collected, in each year, a continuing direct annual ad valorem tax, without limit as to rate, upon all taxable property in the District sufficient to pay the interest on the Bonds as the same becomes due and to pay each installment of the principal of the Bonds as the same matures, with full allowance being made for delinquencies and costs of collection. In the Bond Resolutions, the District covenants that said taxes are irrevocably pledged to the payment of the interest on and principal of the Bonds and to no other purpose.

The Bonds are obligations of the District and are not the obligations of the State of Texas, Guadalupe County, the City of New Braunfels (the “City”), or any entity other than the District.

Funds

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

Twelve (12) months of capitalized interest will be deposited into the Debt Service Fund from both the Series 2025A Bonds and the Series 2025B Road Bonds. The remaining proceeds from the sale of the Bonds shall be deposited into the Capital Projects Fund, to be used for the purpose of reimbursing the Developer for certain construction costs, paying Developer interest, and for paying the costs of issuance of the Bonds. Any monies remaining in the Capital Projects Fund will be used as described in the Bond Resolutions or ultimately transferred to the Debt Service Fund. See “USE AND DISTRIBUTION OF BOND PROCEEDS” for a complete description of the use of Bond proceeds and the projects related thereto.

No Arbitrage

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

Outstanding Bonds

The District has previously issued two series of unlimited tax bonds, as follows: \$5,825,000 Unlimited Tax Road Bonds, Series 2023 and \$9,900,000 Unlimited Tax Bonds, Series 2024. As of September 1, 2025, \$15,605,000 principal amount of such previously issued bonds remained outstanding (the “Outstanding Bonds”)

Record Date

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

Redemption Provisions

The District reserves the right, at its option, to redeem the Bonds maturing on or after September 1, 2032, prior to their scheduled maturities, in whole or from time-to-time in part, in integral multiples of \$5,000 on September 1, 2031, or any date thereafter, at a price of par value plus accrued interest on the principal amounts called for redemption to the date fixed for redemption.

If less than all of the Bonds are redeemed at any time, the particular series and maturities of the Bonds to be redeemed will be selected by the District. If less than all the Bonds of a certain series and maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Paying Agent/Registrar by lot or other random method (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form).

If a Bond subject to redemption is in a denomination larger than \$5,000, a portion of such Bond may be redeemed, but only in integral multiples of \$5,000. Upon surrender of any Bond for redemption in part, the Paying Agent/Registrar shall authenticate and deliver in exchange therefor a Bond or Bonds of like maturity and interest rate in an aggregate principal amount equal to the unredeemed portion of the Bond so surrendered.

Notice of any redemption identifying the Bonds to be redeemed in whole or in part shall be given by the Paying Agent/Registrar at least thirty (30) days prior to the date fixed for redemption by sending written notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the Register. Such notices shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment and, if less than all the Bonds outstanding are to be redeemed, the numbers of the Bonds or the portions thereof to be redeemed. Any notice given shall be conclusively presumed to have been duly given, whether or not the Registered Owner receives such notice. By the date fixed for redemption, due provision shall be made with the Paying Agent/Registrar for payment of the redemption price of the Bonds or portions thereof to be redeemed, plus accrued interest to the date fixed for redemption.

When Bonds have been called for redemption in whole or in part and due provision has been made to redeem the same as herein provided, the Bonds or portions thereof so redeemed shall no longer be regarded as outstanding except for the purpose of receiving payment solely from the funds so provided for redemption, and the rights of the Registered Owners to collect interest which would otherwise accrue after the redemption date on any Bond or portion thereof called for redemption shall terminate on the date fixed for redemption.

Authority for Issuance

At an election held within the District on November 3, 2020, voters of the District authorized a total of \$481,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities and a total of \$174,000,000 principal amount of unlimited tax bonds for road facilities. The Series 2025A Bonds and the Series 2025B Road Bonds are being issued pursuant to such authorizations, respectively. See “—Issuance of Additional Debt” herein. The Commission has approved the sale of the Series 2025A Bonds for the purposes described in “USE AND DISTRIBUTION OF BOND PROCEEDS.”

The Series 2025A Bonds are issued by the District pursuant to the terms and provisions of the Series 2025A Bond Resolution; Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, as amended, Chapter 7888, Texas Special District Local Laws Code; and an order of the TCEQ. The Series 2025B Road Bonds are issued by the District pursuant to the terms and provisions of the Series 2025B Road Bond Resolution; Article III, Section 52 of the Texas Constitution; Chapters 49 and 54 of the Texas Water Code, as amended; Chapter 7888, Texas Special District Local Laws Code; and the general laws of the State of Texas relating to the issuance of the bonds by political subdivisions of the State of Texas.

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

Registration and Transfer

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

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

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

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

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

Lost, Stolen or Destroyed Bonds

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

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

Replacement of Paying Agent/Registrar

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

Issuance of Additional Debt

After the issuance of the Series 2025A Bonds and Series 2025B Road Bonds, the District will have \$463,700,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sanitary sewer and drainage facilities authorized but unissued and will have \$165,175,000 principal amount of unlimited tax bonds for road facilities authorized but unissued. In addition, the District has also authorized \$721,500,000 principal amount of unlimited tax bonds for refunding bonds issues for the water, sanitary sewer and drainage facilities, and \$261,000,000 principal amount of unlimited tax bonds for refunding bonds issued for road facilities, all of which remains authorized but unissued. See "RISK FACTORS—Future Debt."

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

The Bond Resolutions impose no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount ultimately issued by the District. Issuance of additional debt could dilute the investment security for the Bonds. See "RISK FACTORS—Future Debt."

Annexation by the City of New Braunfels

The District is located entirely within the extraterritorial jurisdiction of the City. Generally, under current Texas law, the District may be annexed by the City without the District's consent, and the City cannot annex territory within the District unless it annexes the entire District; however, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than fifty-percent (50%) of the land in the area, a petition has been signed by more than fifty-percent (50%) of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition process does not apply during the term of a strategic partnership agreement between the City and the District specifying the procedures for full purpose 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.

Consolidation

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

Remedies in Event of Default

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

Legal Investment and Eligibility to Secure Public Funds in Texas

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

“(a) All bonds, notes, and other obligations issued by a district shall be legal and authorized investments for all banks, trust companies, building and loan associations, savings and loan associations, insurance companies of all kinds and types, fiduciaries, and trustees, and for all interest and sinking funds and other public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic.

(b) A district’s bonds, notes, and other obligations are eligible and lawful security for all deposits of public funds of the state, and all agencies, subdivisions, and instrumentalities of the state, including all counties, cities, towns, villages, school districts, and all other kinds and types of districts, public agencies, and bodies politic, to the extent of the market value of the bonds, notes, and other obligations when accompanied by any unmatured interest coupons attached to them.”

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

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

Defeasance

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

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

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

BOOK-ENTRY-ONLY SYSTEM

The information in this section concerning the Depository Trust Company ("DTC"), New York, NY and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurances that DTC, DTC Direct Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Direct Participants or DTC Indirect Participants will 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 "Procedure" of DTC to be followed in dealing with DTC Direct Participants is on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.6 million issues of U.S. and on-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 affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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

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

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

THE DISTRICT

General

The District was created by Senate Bill 2558, an act of the 86th Legislature of the State of Texas, Regular Session (2019) and codified as Chapter 7888 of the Special District Local Laws Code (the “Act”), and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, the Act, and other general statutes applicable to municipal utility districts.

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

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

Description and Location

The District contains approximately 481 acres of land after annexations in March 2021 of approximately 116 acres, May 2022 of approximately 141 acres, August 2024 of approximately 11 acres, and May 2025 of approximately 9 acres. The District is located in Guadalupe County near the intersection of Highway 123 and F.M. 758, approximately 13 miles east of the City and approximately 10 miles north of the City of Seguin. The District lies totally within the extraterritorial jurisdiction of the City and within Navarro Independent School District.

Status of Development

The District is being developed primarily for single family residential purposes as Navarro Ranch and Jaro. Water, sanitary sewer and drainage facilities have been constructed to serve Navarro Ranch, Units 1A, 1B, 1C, 2A, 2B, 2C, 3A, 3B, and 4 through 7 (approximately 261 acres of land developed into 1,168 single-family residential lots). Water, sanitary sewer and drainage facilities have also been constructed to serve Jaro South, Units 1 and 2 (approximately 20 acres of land developed into 119 single-family residential lots). As of August 1, 2025, the District contained 986 single-family homes completed and occupied, 67 single-family homes completed and not occupied, 24 single-family homes in various stages of construction, 2 model homes, and 208 vacant developed lots available to new home construction.

Construction of water, sanitary sewer, and drainage facilities to serve Navarro Ranch, Unit 8 (approximately 47 acres of land being developed into 138 single- family residential lots) and Jaro North, Unit 1 (approximately 36 acres of land being developed into 119 single- family residential lots) is underway.

In addition to the development described above, an amenity center which includes a playground, a swimming pool with water slides, an event space, and gym has been constructed on approximately 9 acres. The District also includes approximately 55 acres of developable land have not been provided with underground water, sanitary sewer and drainage facilities and approximately 53 acres of undevelopable land is contained in easements, rights of way, storm water detention facilities and other land uses.

The current builder in the District is Lennar Homes (defined herein). New homes in the District range in offering prices from approximately \$200,000 to \$380,000 with square footage ranging from 1,800 to 3,000 square feet. As of August 1, 2025, the District contained 1,287 single-family homes completed as shown below:

Status of Home Construction as of August 1, 2025:

Single-Family Residential – Completed and Occupied	986
Single-Family Residential – Completed and Unoccupied	67
Single-Family Residential – Homes Under Construction	24
Single-Family Residential – Vacant Developed Lots	208
Model Homes	<u>2</u>
Total	1,287

MANAGEMENT OF THE DISTRICT

Board of Directors

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

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Erika Ramon	President	May 2026
Ivana Toll	Vice President	May 2028
Kyle Hackett	Secretary	May 2026
Patrick Lynch	Assistant Secretary	May 2028
Aaron Neumaann	Assistant Secretary	May 2028

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

District Consultants

The District does not have a general manager or other full-time employees, but contracts for certain necessary services as described below.

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

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

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

Financial Advisor: Masterson Advisors LLC serves as the District’s Financial Advisor. The fee for services rendered in connection with the issuance of the Bonds is based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fee is contingent upon the sale and delivery of the Bonds.

Auditor: The financial statements of the District as of September 30, 2024 and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, independent auditors, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2024 audited financial statements.

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

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

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

THE DEVELOPERS/PRINCIPAL LANDOWNERS

Role of a Developer

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

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

The Developers

Lennar Homes of Texas Land and Construction, Ltd. (“Lennar Homes”), a Texas limited partnership, has developed water, sewer and drainage facilities to serve specific sections within the District known as Navarro Ranch. Lennar Homes financed, or is financing, the development of Navarro Ranch, Units 1A through 1C, 2A through 2C, 3A, 3B, and 4 through 8 in the District with funds provided by its parent company. Lennar Homes does not own any additional land in the District but does own 208 vacant developed lots.

The General Partner of Lennar Homes is U.S. Home LLC, a Delaware limited liability company that is wholly owned by Lennar Corporation. Lennar Corporation is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for Lennar Corporation can be found online at <https://investors.lennar.com/financials>. Lennar Corporation is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission (“SEC”). Reports, proxy statements and other information filed by Lennar Corporation can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

NB Dean 32, LLC (“NB Dean”), a Texas limited liability company, developed or is developing water, sewer and drainage facilities to serve Jaro South, Units 1 and 2, and Jaro North, Unit 1. NB Dean financed the development of Jaro South, Units 1 and 2 and Jaro North, Unit 1 with financing provided by commercial lending institutions. NB Dean has sold the lots to Lennar Homes and does not own any additional land in the District.

Lennar Homes and NB Dean may be collectively referred to herein as the “Developers.”

The Developers are not responsible for, liable for, and has not made any commitment for payment of the Bonds or other obligations of the District. The Developers have no legal commitment to the District or owners of the Bonds to continue development of land within the District and may sell or otherwise dispose of its property within the District, or any other assets, at any time.

Principal Landowners

In May 2022, the District annexed an adjacent tract of undeveloped land owned by BG Land Development LLC (“BG Land”), a Texas limited liability company. BG Land owns approximately 55 acres within the District. NB Dean and BG Land are under common ownership and control.

THE SYSTEM

Regulation

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

Water, Sanitary sewer and Drainage Facilities

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

Source of Water Supply: Crystal Clear Special Utility District (“CCSUD”) provides retail water service to all residents within the District pursuant to Nonstandard Service Agreement entered into by CCSUD and Lennar Homes dated July 23, 2019 (the “Water Agreement”). The Water Agreement sets forth the terms and conditions pursuant to which CCSUD agreed to provide up to 1,450 living unit equivalents (“LUEs”) of retail water service to customers within the District. CCSUD owns and operates groundwater production facilities and is a member of the Canyon Regional Water Authority (“CRWA”). CRWA provides water to CCSUD pursuant to certain water supply contracts including Lake Dunlap/Mid Cities Project Contract, Hays/Caldwell Counties Area Contract, Wells Ranch I Contract, and Wells Ranch II Project. CRWA and the Guadalupe Blanco River Authority (“GBRA”) entered into a water purchase contract dated as of October 13, 1998, as amended, which provides for the purchase of water by CRWA. The current annual commitment under the contract is 10,575 acre feet of water per year. CRWA also has water rights in the Carrizo and Wilcox Aquifers located in Guadalupe and Gonzales Counties. In 2007, through the Wells Ranch I and II projects, CRWA has permits for 13,029 acre feet of water.

Source of Wastewater Treatment: The City of Seguin, Texas (“Seguin”) provides retail sewer service to all residents within the District pursuant to a Capital Improvement Agreement for Sanitary Sewer Service entered into by Seguin and Lennar Homes effective July 19, 2019 (the “Wastewater Agreement”). Pursuant to the Wastewater Agreement, Seguin has agreed to provide wastewater service sufficient to serve a total of 1,450 LUEs until June 18, 2044. Seguin treats the wastewater generated within the District at its Geronimo Creek Wastewater Treatment Plant, which has a current capacity of 5.54 million gallons per day. Lennar Homes financed the construction of the sanitary sewer line and lift station to transport all wastewater flows from the District to the Seguin wastewater system. As of August 1, 2025, Seguin served 986 active retail sewer connections within the District.

100-Year Floodplain

“Flood Insurance Rate Map” or “FIRM” means an official map of a community on which the Federal Emergency Management Agency (“FEMA”) has delineated the appropriate areas of flood hazards. The 1% chance of probable inundation, also known as the 100-year flood plain, is depicted on these maps. The “100-year flood plain” (or 1% chance of probable inundation) as shown on the FIRM is the estimated geographical area that would be flooded by a rain storm of such intensity to statistically have a one percent chance of occurring in any given year. Generally speaking, homes and other improvements must be built above the 100-year flood plain in order to meet local regulatory requirements and to be eligible for federal flood insurance. An engineering or regulatory determination that an area is above the 100-year flood plain is no assurance that homes and other improvements built in such area will not be flooded. The District’s drainage system has been designed and constructed to all current standards.

According to the District’s Engineer, approximately 27 acres of land within the District are located within the 100-year flood plain as designated by the most recent Federal Emergency Management Agency Flood Insurance Rate Map.

Atlas 14

In 2018, the National Weather Service completed a rainfall study known as NOAA Atlas 14, Volume 11 Precipitation-Frequency Atlas of the United States (“Atlas 14”). Floodplain boundaries within the District may be redrawn based on the Atlas 14 study based on a higher statistical rainfall amount, resulting in the application of more stringent floodplain regulations applying to a larger area. The application of 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.

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Use and Distribution of Series 2025A Bond Proceeds

The estimated use and distribution of the Series 2025A Bond proceeds is shown below. Of proceeds to be received from the sale of the Series 2025A Bonds, \$5,442,996 is estimated for construction costs and \$1,957,004 is estimated for non-construction costs.

CONSTRUCTION COSTS

Navarro Offsite Wastewater Line - 3A & 3B1.....	\$ 1,357,474
Navarro Offsite Wastewater Line - 3B2.....	391,000
Wastewater Impact Fees.....	2,641,430
Engineering Fees.....	1,053,092

TOTAL CONSTRUCTION COST..... \$ 5,442,996

NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 109,000
Special Tax Counsel Fees.....	14,800
Financial Advisor Fees.....	137,000
Capitalized Interest (12 months at 5.25%)(a).....	388,500
Developer Interest (Estimated).....	943,206
Bond Discount (Estimated at 3.0%)(a).....	222,000
Bond Issuance Expenses.....	60,598
TCEQ Bond Issuance Fee (0.25%).....	18,500
Bond Application Report Cost.....	56,000
Attorney General Fee (0.1%).....	7,400

Total Non-Construction Costs..... \$ 1,957,004

TOTAL BOND ISSUE..... \$ 7,400,000

(a) The TCEQ approved a maximum Bond Discount of 3.00% and twelve (12) months of capitalized interest at an estimated interest rate of 5.25%.

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

THE ROAD SYSTEM

Navarro Ranch is the major collector street serving the District. The road meets the City's criteria for collector roadway designation. All roadways are designed and constructed in accordance with City standards, rules, and regulations. Upon acceptance of roadway facilities, the City will be responsible for operation and maintenance thereof.

The roads lie within the public right-of-way. In addition to the roadway, public utilities such as underground water, sewer, and drainage facilities are located within the right-of-way. The right-of-way is also shared by street lights, sidewalks, and franchise utilities (power, gas, telephone, and cable).

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Use and Distribution of Series 2025B Road Bond Proceeds

The estimated use and distribution of the Series 2025B Road Bond proceeds is shown below. Of proceeds to be received from the sale of the Series 2025B Road Bonds, \$2,231,495 is estimated for construction costs and \$768,505 is estimated for non-construction costs.

CONSTRUCTION COSTS

Navarro Ranch Units 1A, 1B, & 1C.....	\$ 354,507
SH 123 Turn Lane.....	447,862
Jaro South Unit 1, Jaro S & N Unit 1 - FM 758.....	1,023,242
Engineering.....	307,235
Jaro South Unit 1 ROW Land Cost.....	98,649

TOTAL CONSTRUCTION COST..... \$ 2,231,495

NON-CONSTRUCTION COSTS

Legal Fees.....	\$ 65,000
Special Tax Counsel Fees.....	7,500
Financial Advisor Fees.....	60,000
Capitalized Interest (12 months at 5.25%)(a).....	157,500
Developer Interest (Estimated).....	337,529
Bond Discount (Estimated at 3.0%).....	90,000
Bond Issuance Expenses.....	35,976
Engineering Report Cost.....	12,000
Attorney General Fee (0.1%).....	3,000

Total Non-Construction Costs..... \$ 768,505

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

(a) The District will capitalize twelve (12) months of interest at an estimated interest rate of 5.25% on the Series 2025 Road Bonds.

UNLIMITED TAX BONDS AUTHORIZED BUT UNISSUED

<u>Date of Authorization</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Amount Unissued</u>
11/3/2020	Water, Sanitary Sewer and Drainage	\$481,000,000	\$17,300,000 *	\$463,700,000
11/3/2020	Road Bonds	\$174,000,000	\$8,825,000 **	\$165,175,000
11/3/2020	Refunding Water, Sanitary Sewer And Drainage Bonds	\$721,500,000	\$0	\$721,500,000
11/3/2020	Refunding Road Bonds	\$261,000,000	\$0	\$261,000,000

* Includes the Series 2025A Bonds.

** Includes the Series 2025B Road Bonds.

FINANCIAL STATEMENT (UNAUDITED)

2025 Taxable Assessed Valuation.....	\$198,391,086 (a)
Estimated Taxable Assessed Valuation as of August 1, 2025	\$207,225,172 (b)
Gross Direct Debt Outstanding (the Bonds and the Outstanding Bonds).....	\$26,005,000 (c)
Estimated Overlapping Debt	11,918,994 (d)
Gross Direct Debt and Estimated Overlapping Debt.....	\$37,923,994
Ratios of Gross Direct Debt to:	
2025 Taxable Assessed Valuation.....	13.11%
Estimated Taxable Assessed Valuation as of August 1, 2025	12.55%
Ratios of Gross Direct Debt and Estimated Overlapping Debt to:	
2025 Taxable Assessed Valuation.....	19.12%
Estimated Taxable Assessed Valuation as of August 1, 2025	18.30%

Area of District — 481 acres
Estimated 2025 Population — 3,451 (e)

- (a) The 2025 Taxable Assessed Valuation shown herein includes \$191,691,407 of certified value and \$6,699,679 of uncertified value. The uncertified value represents the landowners' opinion of the value; however, such value is subject to change and downward revision prior to certification. No tax will be levied on said uncertified value until it is certified by the Guadalupe Central Appraisal District (the "Appraisal District"). See "TAX PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only. Such amounts reflect an estimate of the taxable assessed value within the District on August 1, 2025. No tax will be levied on such amount until it is certified. Increases in value occurring between January 1, 2025 and August 1, 2025, will be certified as of January 1, 2026, and provided for purposes of taxation in the summer of 2026. See "TAX PROCEDURES."
- (c) Includes the Bonds and the Outstanding Bonds. See "FINANCIAL STATEMENT (UNAUDITED)—Outstanding Bonds."
- (d) See "ESTIMATED OVERLAPPING DEBT STATEMENT."
- (e) Estimate based on 3.5 persons per occupied single-family residence.

Cash and Investment Balances (unaudited as of May 23, 2025)

General Operating Fund	Cash and Temporary Investments	\$816,736
Capital Projects Fund	Cash and Temporary Investments	\$141,385
Debt Service Fund	Cash and Temporary Investments	\$959,288 (a)

- (a) Twelve (12) months of capitalized interest will be deposited into such fund from proceeds of the Series 2025A Bonds and Series 2025B Road Bonds (estimated amounts of \$388,500 and \$157,500, respectively). Neither the Bond Resolutions nor Texas law requires that the District maintain any particular balance in the Debt Service Fund.

Outstanding Bonds (as of September 1, 2025)

Series	Original Principal Amount	Outstanding Bonds (as of 9/1/25)
2023 (a)	\$ 5,825,000	\$ 5,705,000
2024	9,900,000	9,900,000
Total	\$ 15,725,000	\$ 15,605,000

- (a) Unlimited tax road bonds.

ESTIMATED OVERLAPPING DEBT STATEMENT

The following table indicates the outstanding debt payable from ad valorem taxes, of governmental entities within which the District is located and the estimated percentages and amounts of such indebtedness attributable to property within the District. Debt figures equated herein to outstanding obligations payable from ad valorem taxes are based upon data obtained from individual jurisdictions or Texas Municipal Reports compiled and published by the Municipal Advisory Council of Texas. Furthermore, certain entities listed below may have issued additional obligations since the date listed and may have plans to incur significant amounts of additional debt. Political subdivisions overlapping the District are authorized by Texas law to levy and collect ad valorem taxes for the purposes of operation, maintenance and/or general revenue purposes in addition to taxes for the payment of debt service and the tax burden for operation, maintenance and/or general revenue purposes is not included in these figures. The District has no control over the issuance of debt or tax levies of any such entities.

Taxing Jurisdiction	Outstanding Bonds (a)	As of	Overlapping	
			Percent	Amount
Guadalupe County.....	\$ 5,405,000	7/31/2025	0.56%	\$ 30,268
Navarro Independent School District.....	166,976,494	7/31/2025	7.12%	11,888,726
Total Estimated Overlapping Debt.....				\$ 11,918,994
Direct Debt.....	26,005,000 (b)	Current	100.00%	26,005,000
Total Direct and Estimated Overlapping Debt...				\$ 37,923,994
Ratio of Estimated Direct and Overlapping Debt to 2025 Taxable Assessed Valuation.....				19.12%
Ratio of Estimated Direct and Overlapping Debt to Estimate of Taxable Assessed Valuation as of August 1, 2025.....				18.30%

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

Overlapping Taxes for 2024

	2024 Tax Rate per \$100 of Taxable Assessed Valuation
Guadalupe County.....	\$ 0.31670
Navarro Independent School District.....	1.18270
Total Overlapping Tax Rate.....	\$ 1.49940
The District(a).....	\$ 0.72000
Total Tax Rate.....	\$ 2.21940

- (a) See "TAX DATA—Tax Rate Distribution."

TAX DATA

Historical Tax Collections

The following statement of tax collections sets forth in condensed form a portion of the historical tax experience of the District. Such table has been prepared for inclusion herein, based upon information obtained from the District's Tax Assessor/Collector. Reference is made to such statements and records for further and complete information. See "— Summary of Assessed Valuation" herein.

Tax Year	Taxable Assessed Valuation (a)	Tax Rate	Total Tax Levy	Total Collections as of August 4, 2025 (c)	
				Amount	Percent
2021	\$ 131,763 (b)	\$ 0.7200	\$ 949	\$ 949	100.00%
2022	6,810,843	0.7200	49,038	49,038	100.00%
2023	65,161,778	0.7200	469,165	468,970	99.96%
2024	132,668,551	0.7200	955,214	933,177	97.69%

(a) As certified by the Appraisal District less any exemptions granted. See "Summary of Assessed Valuation" herein.

(b) Initial year of tax levy.

(c) Reflects unaudited collections.

Taxes are due when billed and become delinquent after January 31 of the following year. No split payments are allowed and no discounts are allowed.

Tax Rate Distribution

	2025 (a)	2024	2023	2022	2021
Debt Service	\$ 0.60	\$ 0.32	\$ -	\$ -	\$ -
Maintenance and Operations	0.12	0.40	0.72	0.72	0.72
Total	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72	\$ 0.72

(a) Represents anticipated tax rates, the District may ultimately levy different tax rates. See "TAX DATA—Historical Tax Rate Distribution."

Tax Rate Limitations

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

Maintenance and Operations: \$1.00 per \$100 of taxable assessed valuation.

Debt Service Tax

The Board covenants in the Bond Resolution to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. For the 2024 tax year, the Board levied a debt service tax in the amount of \$0.32 per \$100 assessed valuation.

Maintenance and Operations Tax

The Board of the District has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements, if such maintenance tax is authorized by vote of the District's electors. On November 3, 2020, the Board was authorized to levy such a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. For the 2024 tax year, the Board levied a maintenance tax in the amount of \$0.40 per \$100 assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal and interest on the District's bonds.

Tax Exemptions

As discussed in the section titled "TAX PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. The District does not exempt any percentage of the market value of any residential homesteads from taxation.

Additional Penalties

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

Summary of Assessed Valuation

The District's assessed value as of January 1 of each year is used by the District in establishing its tax rate. See “TAX PROCEDURES—Valuation of Property for Taxation.” The following represents the composition of property comprising the 2023 through 2025 Taxable Assessed Valuation. Accurate breakdowns of the uncertified portion (\$6,699,679) of the 2025 Taxable Assessed Valuation of \$198,391,086 and the Estimated Taxable Assessed Valuation as of August 1, 2025 of \$207,225,172, are not available. Taxes are levied on taxable value certified by the Appraisal District as of January 1 of each year.

	2025	2024	2023
Land	\$ 37,855,102	\$ 32,506,142	\$ 21,696,716
Improvements	164,137,303	108,415,237	49,045,451
Personal Property	1,344,234	178,001	200,856
Exemptions	(11,645,232)	(8,430,829)	(5,781,245)
Certified Total	\$191,691,407	\$132,668,551	\$ 65,161,778
Uncertified Value	6,699,679	-	-
Total	<u>\$198,391,086</u>	<u>\$132,668,551</u>	<u>\$ 65,161,778</u>

Principal Taxpayers

The following table represents the principal taxpayers, the taxable assessed valuation of such property, and such property's taxable assessed valuation as a percentage of the certified portion (\$191,691,407) of the 2025 Taxable Assessed Valuation. Accurate principal taxpayer lists related to the uncertified portion (\$6,699,679) of the 2025 Taxable Assessed Valuation of \$198,391,086 and the Estimated Taxable Assessed Valuation as of August 1, 2025, of \$207,225,172, are not available as of the date hereof.

Taxpayer	Type of Property	2025 Certified Taxable Assessed Valuation	% of 2025 Certified Taxable Assessed Valuation
TPG AG EHC III (LEN) Multistate 5 LLC	Land & Improvements	\$ 6,269,656	3.27%
SA Swenson Heights LTD	Land & Improvements	1,293,067	0.67%
BG Land Dev LLC (a)	Land & Improvements	999,548	0.52%
Lennar Homes of Texas Land & Construction LTD (a)	Land & Improvements	837,225	0.44%
Hooks Gas Pipeline	Land & Improvements	635,290	0.33%
Upward America Central REIT TRS LP (a)(b)	Land & Improvements	413,950	0.22%
Jorgensen Properties LLC	Land & Improvements	410,256	0.21%
Universal Natural Gas	Land & Improvements	364,454	0.19%
Individual	Homeowner	335,252	0.17%
Total		\$ 11,558,698	6.03%

(a) The Developers. See “THE DEVELOPERS/PRINCIPAL LANDOWNERS.”

(b) See “RISK FACTORS—Rental Homes.”

Tax Adequacy for Debt Service

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 taxable assessed valuation which would be required to meet average annual and maximum annual debt service requirements if no growth in the District's tax base occurred beyond the 2025 Taxable Assessed Valuation of \$198,391,086 (\$191,691,407 of certified value plus \$6,699,679 of uncertified value) or the Estimated Taxable Assessed Valuation as of August 1, 2025, of \$207,225,172. The calculations contained in the following table merely represent the tax rates required to pay principal of and interest on the Bonds and Outstanding Bonds when due, assuming no further increase or any decrease in taxable values in the District, collection of ninety-five percent (95%) of taxes levied, the sale of no additional bonds, and no other funds available for the payment of debt service.

Average annual debt service requirement (2026-2050)	\$1,791,295
\$0.96 tax rate on the 2025 Taxable Assessed Valuation	
of \$198,391,086 at a 95% collection rate produces	\$1,809,327
\$0.91 tax rate on the Estimated Taxable Assessed Valuation as of August 1, 2025	
of \$207,225,172 at a 95% collection rate produces	\$1,791,462
Maximum annual debt service requirement (2048).....	\$1,898,713
\$1.01 tax rate on the 2025 Taxable Assessed Valuation	
of \$198,391,086 at a 95% collection rate produces	\$1,903,562
\$0.97 tax rate on the Estimated Taxable Assessed Valuation as of August 1, 2025	
of \$207,225,172 at a 95% collection rate produces	\$1,909,580

No representation or suggestion is made that the uncertified portion of the 2025 Taxable Assessed Valuation will not be adjusted downward or that the Estimated Taxable Assessed Valuation as of August 1, 2025 provided by the Appraisal District for the District will be certified as taxable value by the Appraisal District, and no person should rely upon such amounts or its inclusion herein as assurance of their attainment. See "TAX PROCEDURES."

TAX PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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

Property Subject to Taxation by the District

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

Residential Homestead Exemptions: The Property Tax Code authorizes the governing body of each political subdivision in the State of Texas to exempt up to twenty percent (20%) of the appraised value of residential homesteads from ad valorem taxation. Where ad valorem taxes have previously been pledged for the payment of debt, the governing body of a political subdivision may continue to levy and collect taxes against the exempt value of the homesteads until the debt is discharged, if the cessation of the levy would impair the obligations of the contract by which the debt was created. The adoption of a homestead exemption may be considered each year, but must be adopted before July 1. See "TAX DATA."

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

Tax Abatement

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

Valuation of Property for Taxation

Generally, property in the District must be appraised by the Appraisal District at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the Appraisal Review Board, it is used by the District in establishing its tax rolls and tax rate. 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 all such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by some political subdivisions while claiming it as to another. If a claimant receives the agricultural use, open space or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three (3) years.

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

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

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

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

Rollback of Operation and Maintenance Tax Rate

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

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

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

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

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

District's Rights in the Event of Tax Delinquencies

Taxes levied by the District are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State of Texas and each local taxing unit, including the District, having power to tax the property. The District's tax lien is on a parity with tax liens of such other taxing units. See "FINANCIAL INFORMATION CONCERNING THE DISTRICT (UNAUDITED)—Overlapping Taxes for 2024." A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

Tax Payment Installments After Disaster

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

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

GENERAL FUND OPERATIONS

General

The Bonds and the Outstanding Bonds are payable from the levy of an ad valorem tax, without legal limitation as to rate or amount, upon all taxable property in the District. Net revenues, if any, derived from the operation of the District's water and sewer operations are not pledged to the payment of the Bonds and the Outstanding Bonds but are available for any lawful purpose including payment of debt service on the Bonds and the Outstanding Bonds, at the discretion and upon action of the Board. It is not anticipated that any significant revenues will be available for the payment of debt service on the Bonds or the Outstanding Bonds.

Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's General Fund. Accounting principles customarily employed in the determination of net revenues have been observed and in all instances exclude depreciation. Such summary is based upon information obtained from the District's audited financial statements for the fiscal years ended September 30, 2022 through September 30, 2024. The unaudited summary shown below for the period ended July 31, 2025 has been provided by the Bookkeeper. Reference is made to such statements and records for further and more complete information.

	10/1/2024 to 7/31/2025 (a)	Fiscal Year Ended September 30		
		2024	2023	2022 (b)
Revenues				
Property Taxes	\$ 530,423	\$ 468,387	\$ 56,111	\$ 949
Interest and Other	15,902	12,439	-	-
Total Revenues	<u>\$ 546,325</u>	<u>\$ 480,826</u>	<u>\$ 56,111</u>	<u>\$ 949</u>
Expenditures				
Director Fees, Including Payroll Taxes	\$ 2,855	\$ 7,137	\$ 3,025	\$ 3,364
Legal Fees	19,038	30,547	14,229	29,293
Bookkeeping Fees	15,290	16,725	6,500	5,500
Audit Fees	12,750	9,750	9,250	-
Engineering Fees	34,694	25,518	20,745	8,098
Website Maintenance	3,630	610	510	525
Insurance	3,277	3,410	1,449	1,449
Tax Appraisal/Collection Fees	3,273	6,584	774	12
Election Fees	-	-	-	-
Other	-	55	55	55
Bank Fees	3,139	4,338	3,211	2,195
Outfall & Channel Cleaning	8,950	-	-	-
Financial Advisor Fees	1,667	-	-	-
Total Expenditures	<u>\$ 108,563</u>	<u>\$ 104,674</u>	<u>\$ 59,748</u>	<u>\$ 50,491</u>
Revenues Over (Under) Expenditures	<u>\$ 437,762</u>	<u>\$ 376,152</u>	<u>\$ (3,637)</u>	<u>\$ (49,542)</u>
Other Sources (Uses)				
Interfund Transfers In (Out)	\$ -	\$ 28,768	\$ -	\$ -
Developer Advances	-	-	-	50,000
Total Other Financing Sources	<u>\$ -</u>	<u>\$ 28,768</u>	<u>\$ -</u>	<u>\$ 50,000</u>
Fund Balance (Beginning of Year)	<u>\$ 396,171</u>	<u>\$ (8,749)</u>	<u>\$ (5,112)</u>	<u>\$ (5,570)</u>
Fund Balance (End of Year)	<u>\$ 833,933</u>	<u>\$ 396,171</u>	<u>\$ (8,749)</u>	<u>\$ (5,112)</u>

(a) Unaudited, prepared by the Bookkeeper.

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

DEBT SERVICE REQUIREMENTS

The following sets forth the actual debt service on the Outstanding Bonds plus the estimated debt service on the Bonds at an estimated interest rate of 5.25% per annum.

Year	Outstanding Bonds Debt Service Requirements	Plus: The Series 2025A Bonds		Plus: The Series 2025B Road Bonds		Total Debt Service Requirements
		Principal	Interest	Principal	Interest	
2026	\$ 1,079,363 (a)		\$ 356,125		\$ 144,375	\$ 1,579,863
2027	1,072,788	\$ 160,000	388,500	\$ 65,000	157,500	1,843,788
2028	1,070,325	170,000	380,100	70,000	154,088	1,844,513
2029	1,066,588	180,000	371,175	70,000	150,413	1,838,175
2030	1,061,713	190,000	361,725	75,000	146,738	1,835,175
2031	1,067,313	195,000	351,750	80,000	142,800	1,836,863
2032	1,071,788	210,000	341,513	85,000	138,600	1,846,900
2033	1,075,138	220,000	330,488	90,000	134,138	1,849,763
2034	1,077,363	230,000	318,938	95,000	129,413	1,850,713
2035	1,078,463	240,000	306,863	100,000	124,425	1,849,750
2036	1,078,438	255,000	294,263	105,000	119,175	1,851,875
2037	1,087,288	270,000	280,875	110,000	113,663	1,861,825
2038	1,084,550	280,000	266,700	115,000	107,888	1,854,138
2039	1,090,688	295,000	252,000	120,000	101,850	1,859,538
2040	1,095,238	315,000	236,513	125,000	95,550	1,867,300
2041	1,098,200	330,000	219,975	135,000	88,988	1,872,163
2042	1,104,575	345,000	202,650	140,000	81,900	1,874,125
2043	1,104,163	365,000	184,538	150,000	74,550	1,878,250
2044	1,112,163	385,000	165,375	155,000	66,675	1,884,213
2045	1,113,113	405,000	145,163	165,000	58,538	1,886,813
2046	1,117,275	425,000	123,900	170,000	49,875	1,886,050
2047	1,124,388	450,000	101,588	180,000	40,950	1,896,925
2048	1,129,250	470,000	77,963	190,000	31,500	1,898,713
2049	696,800	495,000	53,288	200,000	21,525	1,466,613
2050	-	520,000	27,300	210,000	11,025	768,325
Total	\$ 25,756,963	\$ 7,400,000	\$ 6,139,263	\$ 3,000,000	\$ 2,486,138	\$ 44,782,363

(a) Outstanding debt service as of September 1, 2025.

Average Annual Debt Service Requirements (2026-2050)	\$1,791,295
Maximum Annual Debt Service Requirement (2048)	\$1,898,713

LEGAL MATTERS

Delivery of the Bonds will be accompanied by the unqualified approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem tax levied by the District, without legal limit as to rate or amount, upon all taxable property within the District, and, based upon their examination of a transcript of certified proceedings relating to the issuance and sale of the Bonds, the approving legal opinion of McLean & Howard, L.L.P., Bond Counsel (“Bond Counsel”), to a like effect and the opinion of McCall, Parkhurst & Horton L.L.P., Special Tax Counsel (“Special Tax Counsel”), to the matters set forth in “TAX MATTERS.” Bond Counsel will not be responsible in any manner for matters addressed in the opinion of Special Tax Counsel and, likewise, Special Tax Counsel will not be responsible in any manner for the matters addressed in the opinion of Bond Counsel. Moreover, Bond Counsel and Special Tax Counsel have no joint responsibility with respect to the Bonds or the proceedings relating to the Bonds. Bond Counsel will be solely responsible for such proceedings and Special Tax Counsel will be solely responsible for its opinion.

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

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

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

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

No Material Adverse Change

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

No-Litigation Certificate

The District will furnish the Initial Purchasers a certificate, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, and dated as of the Date of Delivery of the Bonds, to the effect that there is not pending, and to their knowledge, there is not threatened, any litigation affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices, and that no additional bonds or other indebtedness have been issued since the date of the statement of indebtedness or nonencumbrance certificate submitted to the Attorney General of Texas in connection with approval of the Bonds.

TAX MATTERS

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

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

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

Under Existing Law, the original 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 of federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

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

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

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

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

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Not Qualified Tax-Exempt Obligations

The District will not designate the Bonds as "qualified tax-exempt obligations" for financial institutions.

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Series 2025A Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Series 2025A Bond Initial Purchaser") bearing the interest rates shown on the inside cover hereof, at a price of _____% of the par value thereof which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

After requesting competitive bids for the Series 2025B Road Bonds, the District accepted the bid resulting in the lowest net effective interest rate, which bid was tendered by _____ (the "Series 2025B Road Bond Initial Purchaser") bearing the interest rates shown on the inside cover hereof, at a price of _____% of the par value thereof which resulted in a net effective interest rate of _____%, as calculated pursuant to Chapter 1204 of the Texas Government Code, as amended (the IBA method).

The Series 2025A Bond Initial Purchaser and the Series 2025B Road Bond Initial Purchaser shall be referred to herein collectively as the "Initial Purchasers."

Prices and Marketability

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

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

Securities Laws

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

MUNICIPAL BOND RATING AND MUNICIPAL BOND INSURANCE

The District has not applied for an underlying rating nor is it expected that the District would have received an investment grade rating had such application been made.

Application has been made for the qualification of the Bonds for municipal bond insurance. If qualified, such insurance will be available at the option of the applicable Initial Purchaser and at the applicable Initial Purchaser's expense. See "RISK FACTORS—Risk Factors Related to the Purchase of Municipal Bond Insurance."

PREPARATION OF OFFICIAL STATEMENT

Sources and Compilation of Information

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

Financial Advisor

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

Consultants

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

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

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

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

Auditor: The financial statements of the District as of September 30, 2024, and for the year then ended, included in this offering document, have been audited by McCall Gibson Swedlund Barfoot Ellis PLLC, as stated in their report appearing herein. See “APPENDIX A” for a copy of the District’s September 30, 2024, audited financial statements.

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

Updating the Official Statement

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

Certification of Official Statement

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

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 the District commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District will provide unaudited financial statements within the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Resolution 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 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

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

Availability of Information from the MSRB

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

Limitations and Amendments

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

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

Compliance With Prior Undertakings

The District entered into its first continuing disclosure agreement in connection with the issuance of its Unlimited Tax Road Bonds, Series 2023. The District has complied in all material respects with its continuing disclosure agreement in accordance with SEC Rule 15c2-12.

MISCELLANEOUS

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

This Official Statement was approved by the Board of Directors of Lone Oak Farm Municipal Utility District, as of the date shown on the cover page.

/s/ _____
President, Board of Directors

ATTEST:

/s/ _____
Secretary, Board of Directors

AERIAL PHOTOGRAPH
(As of August 2025)

**LONE OAK FARM
MUNICIPAL UTILITY DISTRICT**

F.M. 758

S.H. 123



PHOTOGRAPHS OF THE DISTRICT
(As of July 2025)













APPENDIX A

Independent Auditor's Report and Financial Statements of the District for the Fiscal Year Ended September 30, 2024

**LONE OAK FARM
MUNICIPAL UTILITY DISTRICT**

**Financial Statements and
Supplementary Information as of and for the
Year Ended September 30, 2024 and
Independent Auditor's Report**

LONE FARM OAK MUNICIPAL UTILITY DISTRICT

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ANNUAL FILING AFFIDAVIT

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS
COUNTY OF GUADALUPE

I, Erika Ramon of the
(Name of Duly Authorized District Representative)

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
(Name of District)

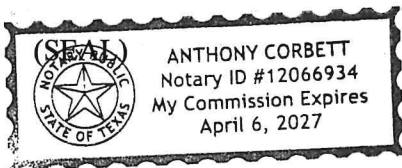
hereby swear, or affirm, that the District above has reviewed and approved at a meeting of the District's Board of Directors on the **6th day of February, 2025**, its annual audit report for the fiscal year ended **September 30, 2024** and that copies of the annual audit report have been filed in the District's office, located at:

4301 Bull Creek Blvd. Suite 150
Austin, Texas 78731
(Address of District's Office)

This 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 of Texas Water Code Section 49.194.

Date: February 6, 2025 By: [Signature]
(Signature of Representative)
Erika Ramon, President
(Typed Name and Title of District Representative)

Sworn to and subscribed to before me this 6th day of February, 2025.



[Signature]
(Signature of Notary)

My Commission Expires On: April 6, 2027.
Notary Public in the State of Texas

INDEPENDENT AUDITOR'S REPORT

McCall Gibson Swedlund Barfoot Ellis PLLC

Certified Public Accountants

*Chris Swedlund
Noel W. Barfoot
Joseph Ellis
Ashlee Martin*

*Mike M. McCall
(retired)
Debbie Gibson
(retired)*

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Lone Oak Farm Municipal Utility District
Guadalupe County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Lone Oak Farm Municipal Utility District (the "District") as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

McCall Gibson Swedlund Barfoot Ellis PLLC

McCall Gibson Swedlund Barfoot Ellis PLLC
Certified Public Accountants
Houston, Texas

February 6, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

LONE OAK FARM MUNICIPAL UTILITY DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2024

In accordance with Governmental Accounting Standards Board Statement No. 34 (“GASB 34”), the management of Lone Oak Farm Municipal Utility District (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2024. Since this information is designed to focus on the current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s basic financial statements that follow.

FINANCIAL HIGHLIGHTS

- *General Fund:* At the end of the current fiscal year, the nonspendable and unassigned fund balance was \$367,403, an increase of \$376,152 from the previous fiscal year. General Fund revenues were \$480,826 in the current fiscal year while expenditures were \$104,674.
- *Debt Service Fund:* Fund balance restricted for debt service increased to \$418,242 in the current fiscal year. The Debt Service Fund paid \$251,076 of bond interest during the current fiscal year. Capitalized interest of \$640,750 from the District’s Series 2023 unlimited tax road bonds was deposited to the Debt Service Fund during the current fiscal year.
- *Capital Projects Fund:* Fund balance restricted for capital projects was unchanged for the current fiscal year. The District issued \$5,825,000 of unlimited tax road bonds to purchase \$4,278,067 of roads and road improvements and pay \$456,915 of developer interest and \$576,061 of bond issuance costs.
- *Governmental Activities:* On a government-wide basis for governmental activities, the District had expenses net of revenues of \$965,718 during the current fiscal year. Net position decreased from a deficit balance of \$108,450 at September 30, 2023 to a deficit balance of \$1,074,168 at September 30, 2024.

OVERVIEW OF THE DISTRICT

The District was created on September 1, 2019 pursuant to Acts of the 86th Legislature, Regular Session, and codified by Chapter 7888 of the Texas Special District Local Laws Code and in accordance with Article XVI, Section 59 of the Texas Constitution, with the powers and duties provided by Chapters 49 and 54 of the Texas Water Code.

The District is located on approximately 462 acres of land in Guadalupe County near the intersection of State Highway 123 and FM 758, approximately 13 miles east of the City of New Braunfels, Texas and approximately 10 miles north of the City of Sequin, Texas.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2024

USING THIS ANNUAL REPORT

This annual report consists of four parts:

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

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The *Required Supplementary Information* presents a comparison statement between the District's adopted or amended budget, if amended, and its actual results.

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

Summary Statement of Net Position

	Governmental Activities		Change Increase (Decrease)
	2024	2023	
Current and other assets	\$ 798,696	\$ 16,257	\$ 782,439
Capital and non-current assets	4,212,797	-	4,212,797
Total Assets	<u>\$ 5,011,493</u>	<u>\$ 16,257</u>	<u>\$ 4,995,236</u>
Current liabilities	\$ 158,555	\$ 24,707	\$ 133,848
Long-term liabilities	5,927,106	100,000	5,827,106
Total Liabilities	<u>\$ 6,085,661</u>	<u>\$ 124,707</u>	<u>\$ 5,960,954</u>
Net investment in capital assets	\$ (1,734,309)	\$ -	\$ (1,734,309)
Restricted for debt service	392,381	-	392,381
Unrestricted	267,760	(108,450)	376,210
Total Net Position	<u>\$ (1,074,168)</u>	<u>\$ (108,450)</u>	<u>\$ (965,718)</u>

The District's net position decreased by \$965,718 to a deficit balance of \$1,074,168 from the previous year's deficit balance of \$108,450.

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

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

Revenues and Expenses:

Summary Statement of Activities

	Governmental Activities		Change Increase (Decrease)
	2024	2023	
Property taxes, including penalties	\$ 468,445	\$ 56,410	\$ 412,035
Interest and other revenue	41,207	-	41,207
Total Revenues	\$ 509,652	\$ 56,410	\$ 453,242
Professional fees	\$ 82,540	\$ 50,724	\$ 31,816
Recurring operating	22,134	9,024	13,110
Developer interest	456,915	-	456,915
Debt service	848,511	-	848,511
Depreciation	65,270	-	65,270
Total Expenses	\$ 1,475,370	\$ 59,748	\$ 1,415,622
Change in Net Position	\$ (965,718)	\$ (3,338)	\$ (962,380)
Beginning Net Position	(108,450)	(105,112)	(3,338)
Ending Net Position	\$ (1,074,168)	\$ (108,450)	\$ (965,718)

Revenues were \$509,652 for the fiscal year ended September 30, 2024 while expenses were \$1,475,370. Net position decreased \$965,718 for the fiscal year ended September 30, 2024.

Property tax revenues in the current fiscal year totaled \$468,445. Property tax revenue is derived from taxes being levied based upon the assessed value of real and personal property within the District. Property taxes levied for the 2023 tax year (September 30, 2024 fiscal year) were based upon a current assessed value of \$63,833,811 and a tax rate of \$0.72 per \$100 of assessed valuation. Property taxes levied for the 2022 tax year (September 30, 2023 fiscal year) were based upon a current assessed value of \$6,810,843 and a tax rate of \$0.72 per \$100 of assessed valuation.

The tax rate levied is determined after the District's Board of Directors reviews the General Fund budgetary requirements and the debt service requirements of the District. The District's primary revenue sources were property taxes.

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

ANALYSIS OF GOVERNMENTAL FUNDS

Governmental Funds by Year

	2024	2023	2022
Cash and cash equivalents	\$ 785,979	\$ 15,438	\$ 3,851
Taxes receivable	357	299	-
Other	24,360	520	-
Total Assets	<u>\$ 810,696</u>	<u>\$ 16,257</u>	<u>\$ 3,851</u>
Liabilities	<u>\$ 24,694</u>	<u>\$ 24,707</u>	<u>\$ 8,963</u>
Total Liabilities	<u>24,694</u>	<u>24,707</u>	<u>8,963</u>
Deferred Inflows of Resources	<u>357</u>	<u>299</u>	<u>-</u>
Nonspendable	360	520	-
Restricted	418,242	-	-
Unassigned	367,043	(9,269)	(5,112)
Total Fund Balances	<u>785,645</u>	<u>(8,749)</u>	<u>(5,112)</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 810,696</u>	<u>\$ 16,257</u>	<u>\$ 3,851</u>

As of September 30, 2024, the District's governmental funds reflected a combined fund balance of \$785,645. For the year ended September 30, 2024, General Fund fund balance increased by \$376,152.

The Debt Service Fund reflects a fund balance increase of \$418,242 in fiscal year 2024. The Debt Service Fund paid \$251,076 of bond interest during the current fiscal year. Capitalized interest of \$640,750 from the District's Series 2023 unlimited tax road bonds was deposited to the Debt Service Fund during the current fiscal year. More detailed information about the District's debt is presented in the *Notes to the Financial Statements*.

The Capital Project Fund purchases the District's infrastructure. The Capital Projects Fund had no change in fund balance for fiscal year 2024. The District issued \$5,825,000 of unlimited tax road bonds to purchase \$4,278,067 of developer funded road improvements and pay \$456,915 of developer interest and \$576,061 of bond issuance costs.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

SEPTEMBER 30, 2024

CAPITAL ASSETS

The District's governmental activities have invested \$4,212,797 in land and road infrastructure. The detail is reflected in the following schedule:

	<u>Summary of Capital Assets, net</u>	
	<u>9/30/2024</u>	<u>9/30/2023</u>
Capital Assets:		
Land	\$ 717,879	\$ -
Roads	3,560,188	-
Less: Accumulated Depreciation	(65,270)	-
Total Net Capital Assets	<u>\$ 4,212,797</u>	<u>\$ -</u>

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

LONG TERM DEBT

As of September 30, 2024, the District has the following balances outstanding on unlimited tax bonds:

	<u>Bonds Payable</u>
Series 2023	<u>\$ 5,825,000</u>
Total	<u>\$ 5,825,000</u>

As of September 30, 2024, the District owes approximately \$5.8 million to bond holders. The ratio of the District's long term debt to the total 2023 taxable assessed valuation (\$63,833,811) is 9.1%. The District's population as provided by the District, as of August 8, 2024, is 2,293. More detailed information about the District's long-term debt is presented in the *Notes to the Financial Statements*.

BUDGETARY HIGHLIGHTS

The General Fund pays for daily operating expenditures. The Board of Directors adopted a budget on August 30, 2023 for the 2024 fiscal year. The budget included projected revenues of \$456,530 as compared to expenditures of \$134,510. When comparing actual results to budget, the District had a positive variance of \$54,132. More detailed information about the District's budgetary comparison is presented in the *Required Supplementary Information*.

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The net property tax assessed value for 2024 (September 30, 2025 fiscal year) is approximately \$135.6 million. The fiscal year 2025 tax rate is \$0.72 on each \$100 of taxable value. Approximately 56% of the property tax will fund general operating expenses and 44% will fund debt service on outstanding bonds.

The adopted budget for fiscal year 2025 projects an increase of \$377,003 to the operating fund balance.

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2024**

REQUESTS FOR INFORMATION

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

FINANCIAL STATEMENTS

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2024**

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Net Position
<u>ASSETS</u>						
Cash and cash equivalents:						
Cash	\$ 15,594	\$ -	\$ -	\$ 15,594	\$ -	\$ 15,594
Cash equivalents	352,143	418,242	-	770,385	-	770,385
Receivables:						
Property taxes	357	-	-	357	-	357
Interfund	12,000	-	-	12,000	(12,000)	-
Prepaid expenditures	360	-	12,000	12,360	-	12,360
Capital assets, net of accumulated depreciation:						
Land and easements	-	-	-	-	717,879	717,879
Road and road improvements	-	-	-	-	3,494,918	3,494,918
TOTAL ASSETS	\$ 380,454	\$ 418,242	\$ 12,000	\$ 810,696	4,200,797	5,011,493
<u>LIABILITIES</u>						
Accounts payable	\$ 12,694	\$ -	\$ -	\$ 12,694	-	12,694
Accrued bond interest payable	-	-	-	-	25,861	25,861
Interfund payable	-	-	12,000	12,000	(12,000)	-
Long-term liabilities -						
Due to developer	-	-	-	-	100,000	100,000
Bonds payable:						
Due within one year	-	-	-	-	120,000	120,000
Due after one year	-	-	-	-	5,827,106	5,827,106
TOTAL LIABILITIES	12,694	-	12,000	24,694	6,060,967	6,085,661
<u>DEFERRED INFLOWS OF RESOURCES</u>						
Property taxes	357	-	-	357	(357)	-
TOTAL DEFERRED INFLOWS OF RESOURCES	357	-	-	357	(357)	-
<u>FUND BALANCES / NET POSITION</u>						
Fund balances:						
Nonspendable	360	-	-	360	(360)	-
Restricted for:						
Debt service	-	418,242	-	418,242	(418,242)	-
Unassigned	367,043	-	-	367,043	(367,043)	-
TOTAL FUND BALANCES	367,403	418,242	-	785,645	(785,645)	-
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 380,454	\$ 418,242	\$ 12,000	\$ 810,696		
Net position:						
Net investment in capital assets					(1,734,309)	(1,734,309)
Restricted for debt service					392,381	392,381
Unrestricted					267,760	267,760
TOTAL NET POSITION					\$ (1,074,168)	\$ (1,074,168)

The accompanying notes are an integral part of this statement.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED SEPTEMBER 30, 2024

	General Fund	Debt Service Fund	Capital Projects Fund	Governmental Funds Total	Adjustments Note 2	Government - Wide Statement of Activities
REVENUES:						
Property taxes, including penalties	\$ 468,387	\$ -	\$ -	\$ 468,387	\$ 58	\$ 468,445
Interest and other	12,439	28,768	-	41,207	-	41,207
TOTAL REVENUES	480,826	28,768	-	509,594	58	509,652
EXPENDITURES / EXPENSES:						
Current:						
Director fees, including payroll taxes	7,137	-	-	7,137	-	7,137
Legal fees	30,547	-	-	30,547	-	30,547
Bookkeeping fees	16,725	-	-	16,725	-	16,725
Audit fees	9,750	-	-	9,750	-	9,750
Engineering fees	25,518	-	-	25,518	-	25,518
Website maintenance	610	-	-	610	-	610
Insurance	3,410	-	-	3,410	-	3,410
Tax appraisal/collection fees	6,584	-	-	6,584	-	6,584
Miscellaneous expenditures	4,393	-	-	4,393	-	4,393
Developer interest	-	-	456,915	456,915	-	456,915
Debt service:						
Interest	-	251,076	-	251,076	21,174	272,250
Fiscal agent fees	-	200	-	200	-	200
Bond issuance costs	-	-	576,061	576,061	-	576,061
Capital outlay	-	-	4,278,067	4,278,067	(4,278,067)	-
Depreciation	-	-	-	-	65,270	65,270
TOTAL EXPENDITURES / EXPENSES	104,674	251,276	5,311,043	5,666,993	(4,191,623)	1,475,370
Excess (deficiency) of revenues over (under) expenditures / expenses	376,152	(222,508)	(5,311,043)	(5,157,399)	4,191,681	(965,718)
OTHER FINANCING SOURCES:						
Issuance of bonds	-	640,750	5,184,250	5,825,000	(5,825,000)	-
Bond premium	-	-	126,793	126,793	(126,793)	-
TOTAL OTHER FINANCING SOURCES	-	640,750	5,311,043	5,951,793	(5,951,793)	-
NET CHANGE IN FUND BALANCES	376,152	418,242	-	794,394	(794,394)	-
CHANGE IN NET POSITION					(965,718)	(965,718)
FUND BALANCES / NET POSITION:						
Beginning of the year	(8,749)	-	-	(8,749)	(99,701)	(108,450)
End of the year	\$ 367,403	\$ 418,242	\$ -	\$ 785,645	\$ (1,859,813)	\$ (1,074,168)

The accompanying notes are an integral part of this statement.

NOTES TO THE FINANCIAL STATEMENTS

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of Lone Oak Farm Municipal Utility District (the “District”) relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles (“GAAP”) as applied to governmental entities. GAAP for local governments includes those principles prescribed by the Governmental Accounting Standards Board (“GASB”), which constitutes the primary source of GAAP for governmental units. The more significant of these accounting policies are described below and, where appropriate, subsequent pronouncements will be referenced.

Reporting Entity - The District was created on September 1, 2019 pursuant to Acts of the 86th Legislature, Regular Session, and codified by Chapter 7888 of the Texas Special District Local Laws Code and in accordance with Article XVI, Section 59 of the Texas Constitution, with the powers and duties provided by Chapters 49 and 54 of the Texas Water Code. The reporting entity of the District encompasses those activities and functions over which the District’s elected officials exercise significant oversight or control. The District is governed by a five member Board of Directors (the “Board”) which has been elected by District residents or appointed by the Board. The District is not included in any other governmental “reporting entity” as defined by the GASB since Board members are elected by the public and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units included in the District’s reporting entity. The District’s Board held its first meeting on August 13, 2020, and the District was confirmed at an election held on November 3, 2020.

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

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) –

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

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

- **Government-Wide Financial Statements:** The District's Statement of Net Position includes both non-current assets and non-current liabilities of the District. In addition, the government-wide Statement of Activities column reflects depreciation expense on the District's capital assets, including infrastructure.

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

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

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

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

Basis of Accounting

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

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

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

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

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Budgets and Budgetary Accounting - An unappropriated budget was adopted on August 30, 2023, for the General Fund on a basis consistent with generally accepted accounting principles. The District's Board utilizes the budget as a management tool for planning and cost control purposes. The budget was not amended during the current fiscal year. The Budgetary Comparison Schedule – General Fund presents the original and revised budget amounts, if revised, compared to the actual amounts of revenues and expenditures for the current fiscal year.

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

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

Capital Assets - Capital assets, which include land and easements, roads and road improvements and water, wastewater and drainage facilities are reported in the government-wide column in the Statement of Net Position. Public domain ("infrastructure") capital assets are capitalized. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at their estimated acquisition value at the time received. Interest incurred during construction of capital facilities is not capitalized.

Upon completion of construction, water facilities are conveyed to Crystal Clear Special Utility District, wastewater facilities are conveyed to the City of Seguin, and roads are conveyed to Guadalupe County. The District is entitled to significant residual interest in the assets conveyed and records these conveyed assets as District assets and depreciates them over their estimated useful lives in accordance with GASB Statement No. 94.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Roads and road improvements	50
Water, Wastewater and Drainage Facilities	50

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

1. SIGNIFICANT ACCOUNTING POLICIES (continued) -

Long-Term Debt - Unlimited tax bonds, which have been issued to fund capital projects, are to be repaid from tax revenues of the District.

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

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

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

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

2. RECONCILIATION OF THE GOVERNMENTAL FUNDS

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

Fund Balances - Governmental Funds		\$ 785,645
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds:		
Capital assets	\$ 4,278,067	
Less: Accumulated depreciation	<u>(65,270)</u>	4,212,797
Revenue is recognized when earned in the government-wide statements, regardless of availability. Governmental funds report deferred inflows of resources for revenues earned but not available.		357
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund -		
Bonds payable	\$ (5,825,000)	
Bond discounts/premiums, net of accumulated amortization	(122,106)	
Accrued interest payable	(25,861)	
Developer advances	<u>(100,000)</u>	<u>(6,072,967)</u>
Net Position - Governmental Activities		<u><u>\$(1,074,168)</u></u>

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

Net Change in Fund Balances - Governmental Funds		\$ 794,394
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report:		
Property tax revenue in year collected	\$ 58	
Capital outlay in year paid	4,278,067	
Interest expenditures in year paid	(25,861)	
Bond sales and related bond discount/ premium as other financing sources/(uses)	<u>(5,951,793)</u>	(1,699,529)
Governmental funds do not report:		
Depreciation	\$ (65,270)	
Amortization	<u>4,687</u>	<u>(60,583)</u>
Change in Net Position - Governmental Activities		<u><u>\$ (965,718)</u></u>

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

3. CASH AND CASH EQUIVALENTS

The investment policies of the District are governed by State statute and an adopted District investment policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District's investment policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third-party trustees.

Cash - At September 30, 2024, the carrying amount was \$15,594 and bank balance of the District's deposits was \$26,581. The bank balance was fully covered by federal depository insurance.

Cash Equivalents -

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

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

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

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2024

3. CASH AND CASH EQUIVALENTS (continued) –

At September 30, 2024, the District held the following investments:

Investment	Fair Value at 9/30/2024	Governmental Funds			Investment Rating	
		General	Debt Service	Capital Projects	Rating	Rating Agency
		Unrestricted	Restricted (1)	Restricted (2)		
Texpool	\$ 770,385	\$ 352,143	\$ 418,242	\$ -	AAAm	Standard & Poors
	\$ 770,385	\$ 352,143	\$ 418,242	\$ -		

(1) Restricted for payment of debt service and cost of assessing and collecting taxes.

(2) Restricted for purchase of capital assets.

Concentration of credit risk. In accordance with the District's investment policy, investments in individual securities are to be limited to ensure that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. As of September 30, 2024, the District did not own any investments in individual securities.

Custodial credit risk-deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The government's investment policy requires that the District's deposits be fully insured by FDIC insurance or collateralized with obligations of the United States or its agencies and instrumentalities. As of September 30, 2024, the District's bank deposits were fully insured by FDIC insurance.

4. PROPERTY TAXES

Property taxes attach as an enforceable lien on January 1. Taxes are levied on or about October 1, are due on November 1, and are past due the following February 1. The Guadalupe Central Appraisal District establishes appraisal values in accordance with requirements of the Texas Legislature. The District levies taxes based upon the appraised values. The Guadalupe County Tax Assessor Collector bills and collects the District's property taxes. The Board of Directors set current tax rates on August 30, 2023.

The property tax rates, established in accordance with state law, were based on 100% of the net assessed valuation of real property within the District on the 2023 tax roll. The tax rate, based on total taxable assessed valuation of \$63,833,811 was \$0.72 on each \$100 valuation and was allocated solely to the General Fund. The maximum allowable maintenance tax of \$1.00 was established by the voters at an election held on November 3, 2020.

Property taxes of \$357 were uncollected and receivable at September 30, 2024.

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

5. INTERFUND ACCOUNTS

A summary of interfund accounts at September 30, 2024, is as follows:

	Interfund	
	Receivables	Payables
General Fund -		
Capital Projects Fund	\$ 12,000	\$ -
Capital Projects Fund -		
General Fund	-	12,000
	<u>\$ 12,000</u>	<u>\$ 12,000</u>

6. CHANGES IN CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance 10/1/2023	Additions	Deletions	Balance 9/30/2024
Capital assets not being depreciated-				
Land and easements	\$ -	\$ 717,879	\$ -	\$ 717,879
Capital assets being depreciated:				
Roads and road improvements	-	3,560,188	-	3,560,188
Total capital assets being depreciated	-	3,560,188	-	3,560,188
Less accumulated depreciation for:				
Roads and road improvements	-	(65,270)	-	(65,270)
Total accumulated depreciation	-	(65,270)	-	(65,270)
Total capital assets being depreciated, net of accumulated depreciation	-	3,494,918	-	3,494,918
Total capital assets, net	\$ -	\$ 4,212,797	\$ -	\$ 4,212,797

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024**

7. BONDED DEBT

The following is a summary of the District's bond transactions for the year ended September 30, 2024:

	Unlimited Tax and Revenue Bonds
Bonds payable at October 1, 2023	\$ -
Bonds issued	5,825,000
Bonds retired	-
Bond premiums/discounts, net of accumulated amortization	122,106
Bonds payable at September 30, 2024	<u>\$ 5,947,106</u>

Bonds payable at September 30, 2024 were comprised of the following individual issues:

Unlimited Tax Road Bonds -

\$5,825,000 - 2023 Unlimited Tax Road Bonds payable serially through the year 2048 at interest rates which range from 5.25% to 7.75%. Bonds maturing on or after September 1, 2030 are callable prior to maturity beginning on September 1, 2029.

On November 21, 2023, the District issued \$5,825,000 of Unlimited Tax Road Bonds, Series 2023, with interest rates ranging from 5.25% to 7.75%. The net proceeds of \$5,375,732 (after payment of the underwriting fees and other issuance costs) were used to finance developer funded road construction and land acquisition costs, fund future interest payments on the bonds and pay subsequent bond issue costs.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

7. BONDED DEBT (continued) -

The annual requirements to amortize all bonded debt as of September 30, 2024, including interest, are as follows:

Year Ended September 30,	Annual Requirements for All Series		
	Principal	Interest	Total
2025	\$ 120,000	\$ 322,812	\$ 442,812
2026	130,000	313,512	443,512
2027	135,000	303,438	438,438
2028	145,000	292,976	437,976
2029	150,000	281,738	431,738
2030-2034	900,000	1,261,312	2,161,312
2035-2039	1,170,000	998,026	2,168,026
2040-2044	1,530,000	654,938	2,184,938
2045-2048	1,545,000	208,424	1,753,424
	<u>\$ 5,825,000</u>	<u>\$ 4,637,176</u>	<u>\$ 10,462,176</u>

Bonds authorized but not issued as of September 30, 2024, are as follows:

Type	Amount
Unlimited Tax Bonds	\$ 481,000,000
Road Bonds	\$ 168,175,000

8. COMMITMENTS AND CONTINGENCIES

The developer of the land within the District has incurred costs for construction of facilities, as well as costs pertaining to the creation and operation of the District. Claims for reimbursement of construction costs and operational advances will be evaluated upon receipt of adequate supporting documentation and proof of contractual obligation. Such costs may be reimbursable to the developer by the District from proceeds of future District bond issues or from operations, subject to approval by the Texas Commission on Environmental Quality. On November 3, 2020, a bond election held within the District approved authorization to issue \$481,000,000 of bonds to fund costs for water, wastewater and drainage system facilities and \$174,000,000 of road improvements. As of September 30, 2024, the District has issued \$5,825,000 of unlimited tax road bonds to reimburse the developer for District roads and road improvements. At September 30, 2024, the District has \$100,000 outstanding in developer advances which were used to fund operating activities of the District.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2024

9. RISK MANAGEMENT

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

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

10. SUBSEQUENT EVENT

On October 29, 2024, the District issued \$9,900,000 of Unlimited Tax Bonds, Series 2024, the proceeds of which were used to reimburse the Developer for District water, wastewater and drainage improvements. The bonds were issued at interest rates ranging from 4.00% to 5.00% with principal maturity dates through September 1, 2049.

REQUIRED SUPPLEMENTARY INFORMATION

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED SEPTEMBER 30, 2024**

	<u>Actual</u>	<u>Original and Final Budget</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
Property taxes, including penalties	\$ 468,387	\$ 456,530	11,857
Interest and other	12,439	-	12,439
TOTAL REVENUES	<u>\$ 480,826</u>	<u>\$ 456,530</u>	<u>24,296</u>
EXPENDITURES:			
Current:			
Drainage maintenance	\$ -	\$ 22,000	\$ 22,000
Director fees, including payroll taxes	7,137	14,460	7,323
Legal fees	30,547	42,000	11,453
Bookkeeping fees	16,725	16,400	(325)
Audit fees	9,750	10,000	250
Engineering fees	25,518	18,000	(7,518)
Financial advisor fees	-	3,000	3,000
Website maintenance	610	1,800	1,190
Insurance	3,410	2,750	(660)
Tax appraisal/collection fees	6,584	1,000	(5,584)
Election fees	-	-	-
Public notice	-	2,500	2,500
Miscellaneous expenditures	4,393	600	(3,793)
TOTAL EXPENDITURES	<u>\$ 104,674</u>	<u>\$ 134,510</u>	<u>\$ 29,836</u>
NET CHANGE IN FUND BALANCE	<u>\$ 376,152</u>	<u>\$ 322,020</u>	<u>\$ 54,132</u>
FUND BALANCE:			
Beginning of the year	<u>(8,749)</u>		
End of the year	<u>\$ 367,403</u>		

TEXAS SUPPLEMENTARY INFORMATION

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES
SEPTEMBER 30, 2024

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

☐ Retail Water	☐ Wholesale Water	☒ Drainage
☐ Retail Wastewater	☐ Wholesale Wastewater	☐ Irrigation
☐ Parks/Recreation	☐ Fire Protection	☐ Security
☐ Solid Waste/Garbage	☐ Flood Control	☐ Roads
☐ Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
☐ Other (specify): _____		

2. Retail Service Providers

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

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

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

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

b. Water and Wastewater Retail Connections:

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

⁽¹⁾ The City of Seguin, Texas provides wastewater service to District residents, and Crystal Clear Special Utility District provides water service to District residents.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-1. SERVICES AND RATES (continued)
SEPTEMBER 30, 2024

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

Gallons pumped into system: _____ (1)

Gallons billed to customers: _____ (1)

Water Accountability Ratio

(Gallons billed / Gallons Pumped)

N/A

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

Does the District assess standby fees? Yes ☐ No ☒

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

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

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

5. Location of District

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

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

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

City(ies) in which district is located: _____ N/A

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

Entirely ☒ Partly ☐ Not at all ☐

ETJ's in which district is located: _____ City of New Braunfels, TX

Are Board members appointed by an office outside the district?

Yes ☐ No ☒

If Yes, by whom? _____

(1) The City of Seguin, Texas provides wastewater service to District residents, and Crystal Clear Special Utility District provides water service to District residents.

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-2. GENERAL FUND EXPENDITURES
SEPTEMBER 30, 2024

Personnel Expenditures (including benefits)	\$ -
Professional Fees:	
Auditing	9,750
Legal	30,547
Engineering	25,518
Financial Advisor	-
Purchased Services For Resale -	
Bulk Water and Wastewater Purchases	-
Contracted Services:	
Bookkeeping	16,725
General Manager	-
Appraisal District/Tax Collector	6,584
Other Contracted Services	-
Utilities	-
Repairs and Maintenance	-
Chemicals	-
Administrative Expenditures:	
Directors' Fees	7,137
Office Supplies	-
Website Maintenance	610
Insurance	3,410
Other Administrative Expenditures	4,393
Capital Outlay:	
Capitalized Assets	-
Expenditures not Capitalized	-
Bad Debt	-
Parks and Recreation	-
Other Expenditures	-
TOTAL EXPENDITURES	\$ 104,674

Number of persons employed by the District:

☐ Full-Time

☐ Part-Time

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-3. TEMPORARY INVESTMENTS
SEPTEMBER 30, 2024

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
General Fund:					
TexPool	XXX0001	Varies	Daily	\$ 341,779	\$ -
TexPool	XXX0002	Varies	Daily	10,364	-
Total				352,143	-
Debt Service Fund -					
TexPool	XXX0003	Varies	Daily	418,242	-
Total				418,242	-
Total - All Funds				\$ 770,385	\$ -

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-4. TAXES LEVIED AND RECEIVABLE
SEPTEMBER 30, 2024

	Maintenance Taxes	Debt Service Taxes	
Taxes Receivable, Beginning of Year	\$ 299	\$ -	
2023 Original Tax Levy, less abatements	443,894	-	
Adjustments - Current Year	15,709		
Rollbacks	7,533	-	
Total to be accounted for	\$ 467,435	\$ -	
Tax collections:			
Current year	\$ 459,246	\$ -	
Prior years (including rollbacks)	7,832	-	
Total collections	\$ 467,078	\$ -	
Taxes Receivable, End of Year	\$ 357	\$ -	
Taxes Receivable, By Years			
2022 and before	\$ -	\$ -	
2023	357	-	
Taxes Receivable, End of Year	\$ 357	\$ -	
Property Valuations:	2023 (a)	2022 (a)	2021 (a)
Land and improvements	\$ 63,833,811	\$ 6,810,843	\$ 248,135
Total Property Valuations	\$ 63,833,811	\$ 6,810,843	\$ 248,135
Tax Rates per \$100 Valuation:			
Debt Service tax rates	\$ -	\$ -	\$ -
Maintenance tax rates	0.72	0.72	0.72
Total Tax Rates per \$100 Valuation:	\$ 0.72	\$ 0.72	\$ 0.72
Original Tax Levy	\$ 459,603	49,038	949
Percent of Taxes Collected to Taxes Levied *	99.9%	100.0%	100.0%
Maximum Tax Rate Approved by Voters:	\$ 1.00	11/3/2020	

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

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

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-5. LONG-TERM DEBT SERVICE REQUIREMENTS - BY YEARS
SEPTEMBER 30, 2024

Fiscal Year Ending	Unlimited Tax Bonds Series 2023			Total - All Issues		
	Principal Due 9/1	Interest Due 3/1, 9/1	Total	Principal Due 9/1	Interest Due 3/1, 9/1	Total
2025	\$ 120,000	\$ 322,812	\$ 442,812	\$ 120,000	\$ 322,812	\$ 442,812
2026	130,000	313,512	443,512	130,000	313,512	443,512
2027	135,000	303,438	438,438	135,000	303,438	438,438
2028	145,000	292,976	437,976	145,000	292,976	437,976
2029	150,000	281,738	431,738	150,000	281,738	431,738
2030	160,000	270,112	430,112	160,000	270,112	430,112
2031	170,000	261,712	431,712	170,000	261,712	431,712
2032	180,000	252,788	432,788	180,000	252,788	432,788
2033	190,000	243,338	433,338	190,000	243,338	433,338
2034	200,000	233,362	433,362	200,000	233,362	433,362
2035	210,000	222,862	432,862	210,000	222,862	432,862
2036	220,000	211,838	431,838	220,000	211,838	431,838
2037	235,000	200,288	435,288	235,000	200,288	435,288
2038	245,000	187,950	432,950	245,000	187,950	432,950
2039	260,000	175,088	435,088	260,000	175,088	435,088
2040	275,000	161,438	436,438	275,000	161,438	436,438
2041	290,000	147,000	437,000	290,000	147,000	437,000
2042	305,000	131,776	436,776	305,000	131,776	436,776
2043	320,000	115,762	435,762	320,000	115,762	435,762
2044	340,000	98,962	438,962	340,000	98,962	438,962
2045	355,000	81,112	436,112	355,000	81,112	436,112
2046	375,000	62,474	437,474	375,000	62,474	437,474
2047	395,000	42,788	437,788	395,000	42,788	437,788
2048	420,000	22,050	442,050	420,000	22,050	442,050
	<u>\$ 5,825,000</u>	<u>\$ 4,637,176</u>	<u>\$ 10,462,176</u>	<u>\$ 5,825,000</u>	<u>\$ 4,637,176</u>	<u>\$ 10,462,176</u>

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-6. CHANGES IN LONG-TERM BONDED DEBT
SEPTEMBER 30, 2024

	<u>Bond Issue</u> <u>2023</u>	<u>Total</u>
Interest Rate	5.25% - 7.75%	
Dates Interest Payable	3/1 ; 9/1	
Maturity Dates	9/1/2048	
Bonds Outstanding at Beginning of Current Fiscal Year	\$ -	\$ -
Bonds Sold During the Current Fiscal Year	5,825,000	5,825,000
Retirements During the Current Fiscal Year:		
Principal	-	-
Refunded	-	-
Bonds Outstanding at End of Current Fiscal Year	<u>\$ 5,825,000</u>	<u>\$ 5,825,000</u>
Interest Paid During the Current Fiscal Year	<u>\$ 251,076</u>	<u>\$ 251,076</u>

Paying Agent's Name & Address:

BOKF, NA
Dallas, TX

Bond Authority:	Unlimited Tax Bonds*	Road Bonds*	Refunding Bonds*	Refunding Road Bonds*
Amount Authorized by Voters	\$ 481,000,000	\$ 174,000,000	\$ 721,500,000	\$ 261,000,000
Amount Issued	-	5,825,000	-	-
Remaining To Be Issued	<u>\$ 481,000,000</u>	<u>\$ 168,175,000</u>	<u>\$ 721,500,000</u>	<u>\$ 261,000,000</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, 2024:	<u>\$ 418,242</u>
Average Annual Debt Service Payment (Principal & Interest) for the remaining term of all debt:	<u>\$ 435,924</u>

LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-7. COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND - FIVE YEARS
SEPTEMBER 30, 2024

	Amounts					Percent of Fund Total Revenues				
	2024	2023	2022	2021 *	2020 *	2024	2023	2022	2021 *	2020 *
GENERAL FUND REVENUES AND OTHER FINANCING SOURCES:										
Property taxes, including penalties	\$ 468,387	\$ 56,111	\$ 949	\$ -	\$ -	97.4%	100.0%	1.9%	-	N/A
Interest and other	12,439	-	-	-	-	2.6%	-	-	-	N/A
Developer advances	-	-	50,000	50,000	-	-	-	98.1%	100.0%	N/A
TOTAL GENERAL FUND REVENUES AND OTHER FINANCING SOURCES	\$ 480,826	\$ 56,111	\$ 50,949	\$ 50,000	\$ -	100.0%	100.0%	100.0%	100.0%	N/A
GENERAL FUND EXPENDITURES:										
Director fees, including payroll taxes	\$ 7,137	\$ 3,025	\$ 3,364	\$ 4,871	\$ -	1.5%	5.4%	6.6%	9.7%	N/A
Legal fees	30,547	14,229	29,293	19,754	7,014	6.4%	25.3%	57.5%	39.5%	N/A
Bookkeeping fees	16,725	6,500	5,500	5,000	-	3.5%	11.6%	10.8%	10.0%	N/A
Audit fees	9,750	9,250	-	-	-	2.0%	0	-	-	N/A
Engineering fees	25,518	20,745	8,098	6,789	7,466	5.3%	37.0%	15.9%	13.6%	N/A
Website maintenance	610	510	525	425	-	0.1%	0.9%	1.0%	0.9%	N/A
Insurance	3,410	1,449	1,449	1,673	-	0.7%	2.6%	2.9%	3.3%	N/A
Tax appraisal/collection fees	6,584	774	12	-	-	1.4%	1%	-	-	N/A
Election fees	-	-	-	500	-	-	-	-	1.0%	N/A
Other	55	55	55	748	1,330	-	0.1%	0.1%	1.5%	N/A
Bank fees	4,338	3,211	2,195	-	-	0.9%	5.7%	4.3%	-	N/A
TOTAL GENERAL FUND EXPENDITURES	\$ 104,674	\$ 59,748	\$ 50,491	\$ 39,760	\$ 15,810	21.8%	106.5%	99.1%	79.5%	N/A
EXCESS (DEFICIENCY) OF GENERAL FUND REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES	\$ 376,152	\$ (3,637)	\$ 458	\$ 10,240	\$ (15,810)	78.2%	-6.5%	0.9%	20.5%	N/A
DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES:										
Interest	\$ 28,768	\$ -	\$ -	\$ -	\$ -	4.3%	N/A	N/A	N/A	N/A
Issuance of bonds	640,750	-	-	-	-	95.7%	N/A	N/A	N/A	N/A
TOTAL DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES	669,518	-	-	-	-	100.0%	N/A	N/A	N/A	N/A
DEBT SERVICE FUND EXPENDITURES:										
Bond interest	\$ 251,076	\$ -	\$ -	\$ -	\$ -	37.5%	N/A	N/A	N/A	N/A
Other expenditures	200	-	-	-	-	-	N/A	N/A	N/A	N/A
TOTAL DEBT SERVICE FUND EXPENDITURES	\$ 251,276	\$ -	\$ -	\$ -	\$ -	37.5%	N/A	N/A	N/A	N/A
EXCESS OF DEBT SERVICE FUND REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES	\$ 418,242	\$ -	\$ -	\$ -	\$ -	62.5%	N/A	N/A	N/A	N/A
TOTAL ACTIVE RETAIL WATER CONNECTIONS (1)	-	-	-	-	-					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS (1)	-	-	-	-	-					

* - Unaudited

(1) The City of Seguin, Texas provides wastewater service to District residents, and Crystal Clear Special Utility District provides water service to District residents.

**LONE OAK FARM MUNICIPAL UTILITY DISTRICT
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
SEPTEMBER 30, 2024**

Complete District Mailing Address:	4301 Bull Creek Blvd., Suite 150 Austin, TX 78731				
District Business Telephone Number:	(512) 328 - 2008				
Submission Date of the most recent District Registration Form TWC Sections 36.054 & 49.054):	August 26, 2024				
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:					
ERIKA RAMON	(Elected) 5/7/2022 - 5/2/2026	\$ 1,326	\$ -	President	
IVANA TOLL	(Appointed) 8/26/2024 - 5/6/2028	\$ 663	\$ -	Vice-President	
KYLE HACKETT	(Appointed) 9/19/2022 - 5/2/2026	\$ 1,326	\$ -	Secretary	
PATRICK LYNCH	(Elected) 5/4/2024 - 5/6/2028	\$ 1,326	\$ -	Assistant Secretary	
AARON NEUMANN	(Elected) 5/4/2024 - 5/6/2028	\$ 1,326	\$ -	Assistant Secretary	
ROBERT OESTREICH	(Elected) 5/4/2024 - 8/26/2024	\$ 663	\$ -	Former Director	
Consultants:					
McLean & Howard LLP	8/13/2020	\$ 28,589 \$ 93,250	\$ - \$ -	Attorney Bond Related Services	
Jones-Heroy & Associates, Inc.	8/13/2020	\$ 31,285 \$ 20,825	\$ - \$ -	Engineer Bond Related Services	
Specialized Public Finance, Inc.	11/10/2020	\$ 116,143	\$ -	Financial Advisor	
Bott & Douthitt, PLLC	8/13/2020	\$ 18,550	\$ -	District Accountant	
McCall, Parkhurst & Horton LLP		\$ 21,650	\$ -	Bond Counsel	
McCall Gibson Swedlund Barfoot Ellis PLLC	8/30/2023	\$ 19,000 \$ 15,500	\$ -	Auditor Bond Related Services	
Guadalupe County Tax Assessor-Collector	3/30/2021	\$ 179	\$ -	Tax Collector	

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