OFFICIAL STATEMENT DATED APRIL 1, 2020

IN THE OPINION OF BOND COUNSEL (HEREIN DEFINED), BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE BONDS (HEREIN DEFINED) IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE BONDS. SEE "TAX MATTERS" FOR A DISCUSSION ON THE OPINION OF BOND COUNSEL.

The Bonds are NOT designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

NEW ISSUE – Book-Entry-Only

S&P Global Ratings (AGM Insured)............................."AA"
Moody's Investors Service, Inc. (AGM Insured) ......"A2"
Moody's Investors Service, Inc. (Underlying)....."Baa3"

MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 1 OF COLLIN COUNTY

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

$7,420,000 **Unlimited Tax Bonds** **Series 2020**	**$1,065,000** **Unlimited Tax Road Bonds** **Series 2020**

Dated: May 1, 2020 **Due: September 1, as shown on the inside cover**

The McKinney Municipal Utility District No. 1 of Collin County $7,420,000 Unlimited Tax Bonds, Series 2020 (the "System Bonds") and the McKinney Municipal Utility District No. 1 of Collin County $1,065,000 Unlimited Tax Road Bonds, Series 2020 (the "Road Bonds") are obligations solely of McKinney Municipal Utility District No. 1 of Collin County (the "District") and are not obligations of the State of Texas; Collin County, Texas; the City of McKinney, Texas; or any entity other than the District. The System Bonds and the Road Bonds are herein referred to collectively as the "Bonds." Interest on the Bonds will accrue from May 1, 2020, and is payable on September 1, 2020, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption, and will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the paying agent to DTC, which will be solely responsible for making such payment to the Beneficial Owners (herein defined). The initial paying agent for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar").

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.**

ASSURED GUARANTY MUNICIPAL

The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District (the "System"). The Road Bonds are the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of $133,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities. After the issuance of the Bonds, the following amounts will remain authorized but unissued: $85,605,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $135,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of two continuing, direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. See "THE BONDS – Source of Payment."

The Bonds are offered when, as and if issued by the District, subject to approval by the Attorney General of Texas and the approval of certain legal matters by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel. Certain legal matters will be passed upon for the District by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Disclosure Counsel. Delivery of the Bonds is expected through the facilities of DTC on or about May 6, 2020.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES AND INITIAL REOFFERING YIELDS

$7,420,000 Unlimited Tax Bonds, Series 2020

$2,350,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581732 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581732 (b)
2021	$ 175,000	5.000%	1.650%	GY4	2027 (c)	$ 220,000	5.000%	2.050%	HE7
2022	180,000	5.000%	1.700%	GZ1	2028 (c)	230,000	5.000%	2.100%	HF4
2023	185,000	5.000%	1.750%	HA5	2029 (c)	240,000	5.000%	2.150%	HG2
2024	195,000	5.000%	1.800%	HB3	2030 (c)	250,000	5.000%	2.200%	HH0
2025	205,000	5.000%	1.950%	HC1	2031 (c)	260,000	5.000%	2.250%	HJ6
2026 (c)	210,000	5.000%	2.000%	HD9					

$5,070,000 Term Bonds

$1,160,000 Term Bonds Due September 1, 2035 (c)(d), Interest Rate: 3.000% (Price: $100.000) (a), CUSIP No. 581732 HN7 (b)

$655,000 Term Bonds Due September 1, 2037 (c)(d), Interest Rate: 3.000% (Price: $98.664) (a), CUSIP No. 581732 HQ0 (b)

$3,255,000 Term Bonds Due September 1, 2045 (c)(d), Interest Rate: 3.250% (Price: $99.000) (a), CUSIP No. 581732 HY3 (b)

$1,065,000 Unlimited Tax Road Bonds, Series 2020

$265,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581732 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 581732 (b)
2021	$ 25,000	5.500%	1.650%	HZ0	2026 (c)	$ 30,000	5.500%	2.000%	JE5
2022	25,000	5.500%	1.700%	JA3	2027 (c)	30,000	5.500%	2.050%	JF2
2023	25,000	5.500%	1.750%	JB1	2028 (c)	35,000	5.500%	2.100%	JG0
2024	30,000	5.500%	1.800%	JC9	2029 (c)	35,000	5.500%	2.150%	JH8
2025	30,000	5.500%	1.950%	JD7					

$800,000 Term Bonds

$245,000 Term Bonds Due September 1, 2035 (c)(d), Interest Rate: 4.500% (Price: $107.320) (a), CUSIP No. 581732 JP0 (b)

$555,000 Term Bonds Due September 1, 2045 (c)(d), Interest Rate: 3.250% (Price: $99.000) (a), CUSIP No. 581732 JZ8 (b)

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

(b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by S&P Global Market Intelligence LLC on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.

(c) Bonds maturing on September 1, 2026, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part on September 1, 2025, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*."

(d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in 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 Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, for further information.

This Official Statement contains, in part, estimates, assumptions, and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions, or matters of opinion, or 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, other matters described in the "Official Statement" until delivery of the Bonds to the Initial Purchaser and thereafter only as specified in "OFFICIAL STATEMENT – Updating of Official Statement."

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

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

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SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the System Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "System Bond Initial Purchaser") to purchase the System Bonds at the interest rates shown on inside cover of this Official Statement at a price of 97.000000% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 3.626331%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the System Bonds after their sale by the District to the System Bond Initial Purchaser. The District has no control over the price at which the System Bonds are subsequently sold, and the initial yields at which the System Bonds are priced and reoffered are established by, and are the sole responsibility of, the System Bond Initial Purchaser.

After requesting competitive bids for the Road Bonds, the District has accepted the bid of SAMCO Capital Markets, Inc. (the "Road Bond Initial Purchaser") to purchase the Road Bonds at the interest rates shown on inside cover of this Official Statement at a price of 97.000000% of par plus accrued interest to date of delivery, resulting in a net effective interest rate of 3.891233%, as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No assurance can be given that any trading market will be developed for the Road Bonds after their sale by the District to the Road Bond Initial Purchaser. The District has no control over the price at which the Road Bonds are subsequently sold, and the initial yields at which the Road Bonds are priced and reoffered are established by, and are the sole responsibility of, the Road Bond Initial Purchaser.

The System Bond Initial Purchaser and the Road Bond Initial Purchaser are herein referred to collectively as the "Initial Purchaser."

Prices and Marketability

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

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

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

Delivery of Official Statements

The District shall furnish to the Initial Purchaser (and to each participating underwriter of the Bonds, within the meaning of the SEC Rule 15c2-12 (the "Rule") of the Securities Exchange Act, designated by the Initial Purchaser), within seven (7) business days after the sale date, the aggregate number of Official Statements agreed upon between the District and the Initial Purchaser. The District also shall furnish to the Initial Purchaser a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential underwriters of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Initial Purchaser may reasonably request prior to the 90th day after the end of the underwriting period described in the Rule. The District shall pay the expense of preparing the number of copies of the Official Statement agreed upon between the District and the Initial Purchaser and an equal number of any supplements or amendments issued on or before the delivery date, but the Initial Purchaser shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On November 7, 2019, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At December 31, 2019:

- The policyholders' surplus of AGM was approximately $2,691 million.
- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $986 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,027 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiary Assured Guaranty (Europe) plc ("AGE"), and (iii) 60.7% of the net unearned premium reserve of MAC.

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

Incorporation of Certain Documents by Reference

Portions of the following document filed by AGL with the SEC that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof: the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020).

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

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

Miscellaneous Matters

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

RATINGS

S&P is located at 55 Water Street, 38th Floor, New York, New York 10041, telephone number (212) 438-2074 and has engaged in providing ratings for corporate bonds since 1923 and municipal bonds since 1940. Long-term debt ratings assigned by S&P reflect its analysis of the overall level of credit risk involved in financings. At present, S&P assigns long-term debt ratings with symbols "AAA" (the highest rating) through "D" (the lowest rating). The Bonds are expected to receive an insured rating of "AA" on the Bonds from S&P solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds.

The Bonds are expected to receive an insured rating of "A2" from Moody's solely in reliance upon the issuance of the Policy issued by AGM at the time of delivery of the Bonds. Moody's has assigned an underlying credit rating of "Baa3" to the Bonds. An explanation of the rating may be obtained from Moody's, 7 World Trade Center at 250 Greenwich Street, New York, New York 10007.

Any such rating is not a recommendation to buy, sell, or hold securities. Furthermore, there is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, if in their judgment, circumstances so warrant. Any such revisions or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. The District will pay the rating fees charged by Moody's.

The District is not aware of any rating assigned to the Bonds other than the ratings of S&P and Moody's.

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OFFICIAL STATEMENT SUMMARY

The following material is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in the Official Statement. The offering of the Bonds (herein defined) to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE BONDS

The Issuer	McKinney Municipal Utility District No. 1 of Collin County (the "District"), a political subdivision of the State of Texas, is located in Collin County, Texas. See "THE DISTRICT – General" and "THE DISTRICT – Description."
Description of the Bonds	The $7,420,000 McKinney Municipal Utility District No. 1 of Collin County Unlimited Tax Bonds, Series 2020 (the "System Bonds") are dated May 1, 2020, and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. The $1,065,000 McKinney Municipal Utility District No. 1 of Collin County Unlimited Tax Road Bonds, Series 2020 (the "Road Bonds") are also dated May 1, 2020, and mature on September 1 in the years and amounts set forth on the inside cover of this Official Statement. The System Bonds and the Road Bonds are herein referred to collectively as the "Bonds." Interest on the Bonds accrues from May 1, 2020, and is payable on September 1, 2020, and on each March 1 and September 1 thereafter until maturity or earlier redemption. The Bonds are offered in fully registered form in integral multiples of $5,000 of principal amount for any one maturity. See "THE BONDS – General."
Redemption	The Bonds that mature on or after September 1, 2026, are subject to redemption, in whole or from time to time in part, at the option of the District, on September 1, 2025, and any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS – Redemption of the Bonds – *Optional Redemption*." The System Bonds that mature on September 1 in the years 2035, 2037, and 2045, and the Road Bonds that mature on September 1 in the years 2035 and 2045 are term bonds that are subject to the mandatory redemption provisions set out herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of two continuing, direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Collin County, Texas; the City of McKinney, Texas; or any entity other than the District. See "THE BONDS – Source of Payment."
Payment Record	The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See "THE BONDS – Source of Payment."
Authority for Issuance	The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District (the "System"). The Road Bonds are the fourth series of

unlimited tax bonds issued by the District for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). Voters in the District have authorized a total of $133,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities. After the issuance of the Bonds, the following amounts will remain authorized but unissued: $85,605,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $135,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities.

The System Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8223, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the System Bonds (the "System Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on May 8, 2010.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8223, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on May 8, 2010. The System Bond Order and the Road Bond Order are herein referred to collectively as the "Bond Order."

Short-Term Debt.. In connection with the System Bonds, the District has issued its $4,150,000 Bond Anticipation Note, Series 2019 (the "BAN"), dated August 14, 2019. The BAN accrues interest at a rate of 2.15% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on August 12, 2020, unless called for redemption prior to maturity.

Outstanding Bonds .... The District has previously issued the following unlimited tax bonds for the purpose of acquiring or constructing the System: $8,070,000 Unlimited Tax Bonds, Series 2015; $13,435,000 Unlimited Tax Bonds, Series 2017; $8,380,000 Unlimited Tax Bonds, Series 2018; and $10,140,000 Unlimited Tax Bonds, Series 2019. As of March 1, 2020, $38,765,000 principal amount of such previously issued debt remains outstanding (the "Outstanding System Bonds"). The District has previously issued the following unlimited tax bonds for the purpose of acquiring or constructing the Road System: $5,730,000 Unlimited Tax Road Bonds, Series 2016; $1,450,000 Unlimited Tax Road Bonds, Series 2017A; and $1,045,000 Unlimited Tax Road Bonds, Series 2018. As of March 1, 2020, $7,830,000 principal amount of such previously issued debt remains outstanding (the "Outstanding Road Bonds"). The Outstanding System Bonds and the Outstanding Road Bonds are herein referred to collectively as the "Outstanding Bonds." See "THE BONDS – Outstanding Bonds."

Use of Proceeds .... A portion of the proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer (herein defined) for a portion of the costs of (a) water, wastewater, and drainage facilities to serve Trinity Falls Planning Units 2 and 3; (b) engineering and surveying costs related to item (a); and (c) inspection fees for Trinity Falls Planning Unit 2. Additionally, proceeds of the System Bonds will be used to further reimburse the Developer for the remaining costs of projects funded by the BAN listed above; to pay six months of capitalized interest; to pay developer interest; to pay BAN interest; and to pay other costs associated with the issuance of the BAN and the System Bonds. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS."

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for costs of road improvements within Trinity Falls Planning Unit 1; to pay developer interest; and to pay other costs associated with the issuance of the Road Bonds. See "USE AND DISTRIBUTION OF ROAD BOND PROCEEDS."

NOT Qualified Tax-Exempt Obligations ..... The Bonds have NOT been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – NOT Qualified Tax-Exempt Obligations."

Municipal Bond Insurance ....Assured Guaranty Municipal Corp. ("AGM"). See "MUNICIPAL BOND INSURANCE."

Ratings...S&P Global Ratings (AGM insured) – "AA". Moody's Investors Service, Inc. ("Moody's") (AGM insured) – "A2". Moody's (Underlying) – "Baa3". See "RATINGS."

General & Bond Counsel................................... Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas.

Disclosure Counsel .... Orrick, Herrington & Sutcliffe LLP, Houston, Texas.

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

District Engineer.. Kimley-Horn and Associates, Frisco, Texas.

THE DISTRICT

The Issuer .... The District was created pursuant to an Act effective September 1, 2007, 80th Legislature, Regular Session, House Bill 3979 (codified at Texas Special District Local Laws Code Chapter 8223). See "THE DISTRICT – General."

Location .... The District is located entirely within the extraterritorial jurisdiction of the City of McKinney, Texas (the "City"), about five (5) miles north of the City. The District is west of US 75 near the intersection of US 75 and FM 543. The District is part the master-planned community known as "Trinity Falls," which is made up of

	approximately 1,980 acres. The District is composed of approximately 881 acres within Trinity Falls.
Developer and Principal Landowner...........	The developer and principal owner of land within the District, and the rest of Trinity Falls, is Trinity Falls Holdings LP (the "Developer"). The limited principal partner of the Developer is McKinney Project Holdings LLC, and the general partner of the Developer is Johnson Trinity Falls GP LLC, which is an affiliate of The Johnson Development Corp. The Johnson Development Corp. has completed projects in Houston, Atlanta, and other markets resulting in the development of nearly 45,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master-planned communities, and multi-family housing. See "DEVELOPER AND PRINCIPAL LANDOWNER."
Development within the District..................	Land within the District has been developed as the single-family subdivisions of Trinity Falls Planning Unit 1, Phases 1A, 1B, 2A, and 2B; Trinity Falls Planning Unit 2, Phases 1, 2, 3, and 4; and Trinity Falls Planning Unit 3, Phases 1A, 1B, 2A, 2B, 3A, 4A, 4B, 4E, 5A, and 5B East (aggregating approximately 476 acres and approximately 1,616 single-family lots). As of March 1, 2020, the District consisted of approximately 1,213 completed homes (1,105 occupied, 97 unoccupied, and 11 models), 99 homes under construction, and 304 vacant developed lots. In addition to the single-family development, approximately 6 acres within the District have been developed to include an amenity center (known as "The Club") and approximately 119 acres have been developed as the first three phases of the Trinity Falls B.B. Owen Park. Approximately 24 acres will be dedicated to McKinney Independent School District for two elementary schools and approximately 16 adjoining acres will be dedicated to the City for neighborhood parks. Of the remaining undeveloped acreage within the District, approximately 40 acres will be dedicated to the development of the future phases of Trinity Falls B.B. Owen Park, approximately 66 acres will be dedicated to future single-family development, approximately 3 acres have been dedicated as a site for an elevated storage tank, and approximately 53 acres are undevelopable. See "DEVELOPMENT WITHIN THE DISTRICT."
Development Agreement with City.............	The District and the Developer have entered into an agreement with the City to provide water and sewer service to the property within the District. The agreement gives the City exclusive jurisdiction over the subdivision and platting of the development, as well as the design, construction, and installation of public infrastructure built within the District. See "DEVELOPMENT AGREEMENT WITH CITY."

INVESTMENT CONSIDERATIONS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT CONSIDERATIONS. PROSPECTIVE PURCHASERS SHOULD REVIEW THE ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THE OFFICIAL STATEMENT ENTITLED "INVESTMENT CONSIDERATIONS," BEFORE MAKING THEIR INVESTMENT DECISION.

SELECTED FINANCIAL INFORMATION

(UNAUDITED)

2019 Assessed Valuation See "TAX DATA" and "TAXING PROCEDURES."	$	391,169,757	(a)
Estimated Valuation as of February 11, 2020 See "TAX DATA" and "TAXING PROCEDURES."	$	459,000,000	(b)
Direct Debt:			
The Outstanding System Bonds (as of March 1, 2020)	$	38,765,000	
The Outstanding Road Bonds (as of March 1, 2020)		7,830,000	
The System Bonds		7,420,000	
The Road Bonds		1,065,000	
Total	$	55,080,000	
Estimated Overlapping Debt (as of January 31, 2020)	$	13,883,454	(c)
Total Direct and Estimated Overlapping Debt	$	68,963,454	(c)
Direct Debt Ratios:			
As a Percentage of the 2019 Assessed Valuation		14.08	%
As a Percentage of the Estimated Valuation as of February 11, 2020		12.00	%
Direct and Estimated Overlapping Debt Ratios:			
As a Percentage of the 2019 Assessed Valuation		17.63	%
As a Percentage of the Estimated Valuation as of February 11, 2020		15.02	%
General Operating Fund (as of March 4, 2020)	$	2,224,310	
System Capital Projects Fund (as of March 4, 2020)	$	89,918	
Road System Capital Projects Fund (as of March 4, 2020)	$	11,661	
System Debt Service Fund (as of March 4, 2020)	$	2,351,096	(d)
Road System Debt Service Fund (as of March 4, 2020)	$	649,110	(e)
2019 District Tax Rate per $100 of Assessed Valuation:			
System Debt Service		$ 0.610	
Road System Debt Service		$ 0.130	
Maintenance & Operation		$ 0.310	
Total		$ 1.050	
Single-Family Homes (including 99 under construction) as of March 1, 2020		1,312	

(a) As provided by the Appraisal District (herein defined). All property located in the District is valued on the tax rolls by the Appraisal District as of January 1 of each year.

(b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2019, to February 11, 2020. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

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

(d) At the time of closing, six (6) months of capitalized interest on the System Bonds and accrued interest on the System Bonds from May 1, 2020, to the date of delivery of the System Bonds will be deposited into the System debt service fund. Neither Texas law nor the System Bond Order requires that the District maintain any particular sum in the System debt service fund. The funds in the System debt service fund are pledged only to pay the debt service on the Outstanding System Bonds, the System Bonds, and any other bonds issued for the purpose of acquiring or constructing the System. The funds in the System debt service fund are not pledged to pay debt service on the Outstanding Road Bonds, the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System.

(e) At the time of closing, accrued interest on the Road Bonds from May 1, 2020, to the date of delivery of the Road Bonds will be deposited into the Road System debt service fund. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System debt service fund. The funds in the Road System debt service fund are pledged only to pay the debt service on the Outstanding Road Bonds, the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The funds in the Road System debt service fund are not pledged to pay debt service on the Outstanding System Bonds, the System Bonds, or any other bonds issued for the purpose of acquiring or constructing the System.

SELECTED FINANCIAL INFORMATION

(CONTINUED)

System Debt Service Calculations

Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2020–2045)	$	2,609,512
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2040)	$	3,187,175
System Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2020–2045) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.71
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.60
System Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2040) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.86
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.74

Road System Debt Service Calculations

Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2020–2045)	$	504,883
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2039)	$	633,213
Road System Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2020–2045) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.14
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.12
Road System Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2039) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.18
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.15

Combined Debt Service Calculations

Average Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2020–2045)	$	3,114,395
Maximum Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2040)	$	3,818,338
Combined Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2020–2045) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.84
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.72
Combined Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2040) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	1.03
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.88

OFFICIAL STATEMENT

MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 1 OF COLLIN COUNTY

(A Political Subdivision of the State of Texas Located in Collin County, Texas)

$7,420,000 Unlimited Tax Bonds Series 2020	$1,065,000 Unlimited Tax Road Bonds Series 2020

OFFICIAL STATEMENT INTRODUCTION

This Official Statement provides certain information with respect to the issuance by McKinney Municipal Utility District No. 1 of Collin County (the "District") of its $7,420,000 Unlimited Tax Bonds, Series 2020 (the "System Bonds") and its $1,065,000 Unlimited Tax Road Bonds, Series 2020 (the "Road Bonds"). The System Bonds and the Road Bonds are herein referred to collectively as the "Bonds."

The System Bonds are issued pursuant to an order by the Texas Commission on Environmental Quality (the "TCEQ"); the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8223, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the System Bonds (the "System Bond Order") adopted by the Board of Directors of the District (the "Board"); and an election held within the boundaries of the District on May 8, 2010.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8223, Texas Special District Local Laws Code, as amended; an order authorizing issuance of the Road Bonds (the "Road Bond Order") adopted by the Board; and an election held within the boundaries of the District on May 8, 2010.

The System Bond Order and the Road Bond Order are collectively referred to herein as the "Bond Order," and, unless otherwise indicated, capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Bond Order.

Included in this Official Statement are descriptions of the Bonds and certain information about the District and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the District at Sanford Kuhl Hagan Kugle Parker Kahn LLP, 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056 or during the offering period from the District's Financial Advisor, Robert W. Baird & Co. Incorporated, Attn: Jan Bartholomew, 1331 Lamar Street, Suite 1360, Houston, Texas 77010 upon payment of reasonable copying, mailing, and handling charges.

THE BONDS

General

The Bonds will bear interest from May 1, 2020, and will mature on September 1 of the years and in the principal amounts, and will bear interest at the rates per annum, set forth on the inside cover of this Official Statement. Interest on the Bonds will be paid on September 1, 2020, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until maturity or earlier redemption and will be calculated on the basis of a 360 day year comprised of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in principal denominations of $5,000 or any integral multiple thereof, and when issued, will be registered in the name of Cede & Co., nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. The Bonds initially will be available to purchasers in book-entry form only. So long as Cede & Co., as the nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable to DTC, which will be solely responsible for making such payment to the Beneficial Owners (herein defined). The initial paying agent for the Bonds is Regions Bank, an Alabama banking corporation, Houston, Texas (the "Paying Agent/Registrar").

Redemption of the Bonds

– Optional Redemption –

The Bonds maturing on and after September 1, 2026, 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, 2025, and on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest from the most recent payment date to the date fixed for redemption.

The Paying Agent/Registrar shall give written notice of redemption, by registered mail, overnight delivery, or other comparably secure means, not less than thirty (30) days prior to the redemption date, to each registered securities depository (and to each national information service that disseminates redemption notices) known to the Paying Agent/Registrar, but neither the failure to give such notice nor any defect therein shall affect the sufficiency of notice given to the registered owner as hereinabove stated. The Paying Agent/Registrar may provide written notice of redemption to DTC by facsimile.

The Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same maturity for the unredeemed portion of the principal of the Bonds so surrendered. In the event of redemption of less than all of the Bonds of either respective series, the particular Bonds of such series to be redeemed shall be selected by the District. If less than all of the Bonds of a particular maturity of either respective series are to be redeemed, the Paying Agent/Registrar is required to select the Bonds of such maturity to be redeemed by lot.

– Mandatory Redemption –

The System Bonds that mature on September 1 in the years 2035, 2037, and 2045 are term bonds (the "System Term Bonds") that shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Mandatory Redemption Date"), on September 1 in each of the years and in the principal amounts set forth in the following schedule:

$1,160,000 Term Bonds Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2032	$ 270,000
September 1, 2033	$ 285,000
September 1, 2034	$ 295,000
September 1, 2035 (maturity)	$ 310,000

$655,000 Term Bonds Maturing on September 1, 2037

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 320,000
September 1, 2037 (maturity)	$ 335,000

$3,255,000 Term Bonds Maturing on September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2038	$ 350,000
September 1, 2039	$ 365,000
September 1, 2040	$ 380,000
September 1, 2041	$ 395,000
September 1, 2042	$ 415,000
September 1, 2043	$ 430,000
September 1, 2044	$ 450,000
September 1, 2045 (maturity)	$ 470,000

The Road Bonds that mature on September 1 in the years 2035 and 2045 are term bonds (the "Road Term Bonds", and together with the System Term Bonds, the "Term Bonds") that shall be redeemed by lot or other customary method of random selection (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form) prior to maturity, at a price equal to the principal amount thereof, plus accrued interest to the Mandatory Redemption Date, on September 1 in each of the years and in the principal amounts set forth in the following schedule:

$245,000 Term Bonds Maturing on September 1, 2035

Mandatory Redemption Date	Principal Amount
September 1, 2030	$ 35,000
September 1, 2031	$ 40,000
September 1, 2032	$ 40,000
September 1, 2033	$ 40,000
September 1, 2034	$ 45,000
September 1, 2035 (maturity)	$ 45,000

$555,000 Term Bonds Maturing on September 1, 2045

Mandatory Redemption Date	Principal Amount
September 1, 2036	$ 45,000
September 1, 2037	$ 50,000
September 1, 2038	$ 50,000
September 1, 2039	$ 50,000
September 1, 2040	$ 55,000
September 1, 2041	$ 55,000
September 1, 2042	$ 60,000
September 1, 2043	$ 60,000
September 1, 2044	$ 65,000
September 1, 2045 (maturity)	$ 65,000

The principal amount of the Term Bonds of a maturity required to be redeemed pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the direction of the District, by the principal amount of any Term Bonds of such maturity which, at least fifty (50) days prior to a Mandatory Redemption Date, (1) shall have been acquired by the District at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and cancelled by the Paying Agent/Registrar at the request of the District with monies in the applicable debt service fund for the System (herein defined) or the Road System (herein defined) at a price not exceeding the principal amount of the Term Bonds plus accrued interest to the date of purchase thereof, or (3) shall have been redeemed pursuant to the optional redemption provision and not theretofore credited against a mandatory sinking fund redemption requirement.

Short-Term Debt

In connection with the System Bonds, the District has issued its $4,150,000 Bond Anticipation Note, Series 2019 (the "BAN"), dated August 14, 2019. The BAN accrues interest at a rate of 2.15% per year (computed on the basis of a 360-day year and the actual days elapsed) and matures on August 12, 2020, unless called for redemption prior to maturity.

Outstanding Bonds

The District has previously issued the following unlimited tax bonds for the purpose of acquiring or constructing a waterworks, wastewater and storm drainage system to serve the District (the "System"): $8,070,000 Unlimited Tax Bonds, Series 2015; $13,435,000 Unlimited Tax Bonds, Series 2017; $8,380,000 Unlimited Tax Bonds, Series 2018; and $10,140,000 Unlimited Tax Bonds, Series 2019. As of March 1, 2020, $38,765,000 principal amount of such previously issued debt remains outstanding (the "Outstanding System Bonds"). The District has previously issued the following unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"): $5,730,000 Unlimited Tax Road Bonds, Series 2016; $1,450,000 Unlimited Tax Road Bonds, Series 2017A; and $1,045,000 Unlimited Tax Road Bonds, Series 2018. As of March 1, 2020, $7,830,000 principal amount of such previously issued debt remains outstanding (the "Outstanding Road Bonds"). The Outstanding System Bonds and the Outstanding Road Bonds are herein referred to collectively as the "Outstanding Bonds."

Registration, Transfer and Exchange

In the event the Book-Entry-Only System (herein defined) should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its corporate trust office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax, governmental charges, or other expenses required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be cancelled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Record Date for Interest Payment

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth (15th) calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

In the event of non-payment of interest on a scheduled payment date and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar when funds for the payment of such interest have been received. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date" which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of a Bond appearing in the registration and transfer books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing such notice.

Mutilated, Lost, Stolen or Destroyed Bonds

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

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for replacement of the Paying Agent/Registrar by the District. 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.

Source of Payment

While the Bonds or any part of the principal thereof or interest thereon remain outstanding and unpaid, the District covenants to levy and annually assess and collect in due time, form and manner, and at the same time as other District taxes are assessed, levied and collected, in each year, beginning with the current year, a continuing direct annual ad valorem tax, without legal limit as to rate or amount, 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 cost of collection. In the Bond Order, the District covenants that said taxes are irrevocably pledged to the payment of the interest and principal of the Bonds and any parity bonds hereinafter issued. Separate unlimited tax rates are levied for each of the District's System debt service and Road System debt service. Funds in the System debt service fund cannot be used to pay debt service on the Outstanding Road Bonds, the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road debt service fund cannot be used to pay debt service on the Outstanding System Bonds, the System Bonds, or any other bonds issued for the purpose of acquiring or constructing the System. The Bonds are obligations of the District and are not the obligations of the State of Texas; Collin County, Texas (the "County"); the City of McKinney, Texas (the "City"); or any other political subdivision or any entity other than the District.

Payment Record

The System Bonds represent the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System and the Road Bonds represent the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness.

Authority for Issuance

The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System and the Road Bonds are the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of $133,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities. The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of two continuing, direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District.

The System Bonds are issued pursuant to an order by the TCEQ; the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8223, Texas Special District Local Laws Code, as amended; the System Bond Order adopted by the Board; and an election held within the boundaries of the District on May 8, 2010.

The Road Bonds are issued pursuant to the Texas Constitution and general laws of the State of Texas, including Chapters 49 and 54, Texas Water Code, as amended, and Chapter 8223, Texas Special District Local Laws Code, as amended; the Road Bond Order adopted by the Board; and an election held within the boundaries of the District on May 8, 2010.

Issuance of Additional Debt

After the issuance of the Bonds, the following amounts will remain authorized but unissued: $85,605,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $135,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities. Additional bonds may be authorized by the voters in the District and the Board.

Pursuant to the Consent Agreement (herein defined), as amended, the District and McKinney Municipal Utility District No. 2 ("MUD 2") shall not issue more than an aggregate $318,000,000 principal amount of all bonds, plus a 3% annual increase of the amount of authorized but unissued bonds each July 1 (excluding any refunding bonds), unless specifically approved by the City. After the issuance of the Bonds, the District and MUD 2 will have $295,830,553 remaining under such cap. See "CONSENT AGREEMENT WITH CITY."

Following issuance of the System Bonds, the District will owe the Developer (herein defined) approximately $49,000,000 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the System. Following issuance of the Road Bonds, the District will owe the Developer approximately $56,700,000 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the Road System. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Based on present engineering cost estimates and on development plans supplied by the Developer, in the opinion of the District's consulting engineer, Kimley-Horn and Associates, Inc. (the "Engineer"), following the issuance of the Bonds, the District will have adequate authorized but unissued bonds to repay the Developer the remaining amounts owed for the existing District facilities, including the System, and to finance the Road System and extension thereof to serve the remaining undeveloped land within the District. See "DEVELOPMENT WITHIN THE DISTRICT," "THE SYSTEM," and "INVESTMENT CONSIDERATIONS – Future Debt."

Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the Registered Owners (herein defined) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the 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. See "INVESTMENT CONSIDERATIONS – Limitation to Registered Owners' Remedies."

Defeasance

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

Legal Investment and Eligibility to Secure Public Funds in Texas

The following is an excerpt 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.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial

Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants," and together with the Direct Participants, the "Participants"). DTC has a Standard & Poor's rating of AA+. The DTC rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The holder of ownership interest from each actual purchase of the Bonds (the "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry 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 does not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

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

Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

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USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS

A portion of the proceeds from the sale of the System Bonds will be used to redeem the BAN, the proceeds of which were used to reimburse the Developer for a portion of the costs of (a) water, wastewater, and drainage facilities to serve Trinity Falls Planning Units 2 and 3; (b) engineering and surveying costs related to item (a); and (c) inspection fees for Trinity Falls Planning Unit 2. Additionally, proceeds of the System Bonds will be used to further reimburse the Developer for the remaining costs of projects funded by the BAN listed above; to pay six months of capitalized interest; to pay developer interest; to pay BAN interest; and to pay other costs associated with the issuance of the BAN and the System Bonds.

Construction Costs	**District's Share**
A. Developer Contribution Items	
a. Trinity Falls PU 2 – Phases 1, 1B, 2, 2A, 3 & 4 – W, WW & D	$ 957,785
b. Trinity Falls PU 3 – Phases 1A & 1B– W, WW & D	3,022,666
c. Inspection Fees (Item a)	162,846
d. Engineering and Surveying (Item a)	1,033,840
e. Engineering and Surveying (Item b)	$ 349,403
Total Developer Contribution Items	$ 5,526,540
B. District Items – None	$ –
TOTAL CONSTRUCTION COSTS	$ 5,526,540
Non-Construction Costs	
A. Legal Fees	$ 200,500
B. Fiscal Agent Fees	148,400
C. Interest	
a. Capitalized Interest (6 months)	138,869
b. Developer Interest	822,501
c. BAN Interest	65,927
D. Bond Discount	222,600
E. Bond Issuance Expenses	44,716
F. BAN Issuance Expenses	97,698
G. Bond Application Report Costs	50,000
H. Attorney General Fee	7,420
I. TCEQ Bond Issuance Fee	18,550
J. Contingency (a)	76,279
TOTAL NON-CONSTRUCTION COSTS	$ 1,893,460
TOTAL BOND ISSUE REQUIREMENT	**$ 7,420,000**

(a) Represents the difference between the estimated and actual amount of capitalized interest, BAN interest; and discount used on the System Bonds.

In the instance that approved estimated amounts exceed actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ. In the instance that actual costs exceed previously approved estimated amounts and contingencies, additional TCEQ approval and the issuance of additional bonds may be required. The Engineer has advised the District that the proceeds of the sale of the System Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

USE AND DISTRIBUTION OF ROAD BOND PROCEEDS

Proceeds from the sale of the Road Bonds will be used to reimburse the Developer for costs of road improvements within Trinity Falls Planning Unit 1; to pay developer interest; and to pay other costs associated with the issuance of the Road Bonds.

Construction Costs	**District's Share**
A. Developer Contribution Items	
a. Roads within Planning Unit No. 1	$ 767,010
Total Developer Contribution Items	$ 767,010
B. District Items – None	$ –
TOTAL CONSTRUCTION COSTS	$ 767,010
Non-Construction Costs	
A. Legal Fees	$ 31,950
B. Fiscal Agent Fees	21,300
C. Engineering Report	15,000
D. Developer Interest	162,990
E. Bond Discount	31,950
F. Bond Issuance Expenses	33,735
G. Attorney General Fee	1,065
TOTAL NON-CONSTRUCTION COSTS	$ 297,990
TOTAL BOND ISSUE REQUIREMENT	**$ 1,065,000**

The Engineer has advised the District that the proceeds of the sale of the Road Bonds should be sufficient to pay the costs of the above-described facilities; however, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

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THE DISTRICT

General

The District was created pursuant to an Act effective September 1, 2007, 80th Legislature, Regular Session, House Bill 3979 (codified at Texas Special District Local Laws Code Chapter 8223). The rights, powers, privileges, authority and functions of the District are established by the general laws of the State of Texas pertaining to municipal utility districts, including particularly Chapters 49 and 54, Texas Water Code, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to purchase, construct, operate and maintain all works, improvements, facilities and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. The District is also empowered to finance certain road improvements that must meet criteria of the County and the City. The District may also provide solid waste collection and disposal service and operate, maintain and construct recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the district's voters and the TCEQ. The District has obtained approval of its voter and the TCEQ to operate a fire department but does not currently do so.

Description

The District, a political subdivision of the State of Texas, is located in the County. The District contains approximately 881 acres. The District is also located entirely within the extraterritorial jurisdiction of the City, about five (5) miles north of the City. The District is west of US 75 near the intersection of US 75 and FM 543. The District is part of an approximately 1,980-acre master-planned community known as "Trinity Falls." The District is comprised of approximately 881 acres within Trinity Falls.

Management of the District

- Board of Directors -

The District is governed by a board, consisting of five directors, which has control over and management and supervision of all affairs of the District. Directors serve staggered four year terms, with elections held in May of each even numbered year. All of the directors reside in the District. The present members and officers of the Board listed below:

Name	Position	Term Expires May
Ryan Rosa	President	2024
Steve Wilson	Vice President	2022
Jeremy Dorenkamp	Secretary / Treasurer	2022
Linda Backlund	Assistant Secretary	2022
Brian Quick	Assistant Secretary	2024

- Consultants -

Tax Assessor/Collector: The District's tax assessor and collector is Utility Tax Service, LLC (the "Tax Assessor/Collector"). The Tax Assessor/Collector applies the District's tax levy to tax rolls prepared by the Collin Central Appraisal District (the "Appraisal District") and bills and collects such levy from taxpayers in the District.

Bookkeeper: The District's bookkeeper is Cindy Schmidt. Ms. Schmidt acts as bookkeeper for more than 80 utility districts.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the Commission. A copy of the District's audit prepared by McGrath & Co., PLLC, for the fiscal year ended March 31, 2019, is included as "APPENDIX A" to this Official Statement.

Engineer: The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Kimley-Horn and Associates, Inc.

Bond & General Counsel: The District has engaged Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, as Bond Counsel in connection with the issuance of the District's Bonds. The fees of Bond Counsel are contingent upon the sale and delivery of the Bonds. Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, also serves as the District's general counsel.

Disclosure Counsel: The District has engaged Orrick, Herrington & Sutcliffe LLP, Houston, Texas, as Disclosure Counsel in connection with the issuance of the District's Bonds. The fees of Disclosure Counsel are contingent upon the sale and delivery of the Bonds.

Financial Advisor: The District has engaged Robert W. Baird & Co. Incorporated as its financial advisor (the "Financial Advisor") in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor has participated in the preparation of this Official Statement, however, the Financial Advisor is not obligated to undertake, and has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement that has been supplied or provided by third parties.

DEVELOPMENT AGREEMENT WITH CITY

The City provides water supply and wastewater services to the District, pursuant to that certain 2012 Development Agreement between the Developer and the District, effective December 4, 2012, as amended by that certain First Amendment to 2012 Development Agreement, effective February 27, 2014, that certain Second Amendment to 2012 Development Agreement, effective November 2, 2016, and that certain Third Amendment to 2012 Development Agreement, effective October 27, 2017 (collectively, the "Development Agreement"). Certain provisions of the Development Agreement concerning the provision of water and/or sewer service to the property within the District have been assigned from the Developer to the District.

Pursuant to the Development Agreement, the City shall have and exercise exclusive jurisdiction over the subdivision and platting of the property within the District and the design, construction, installation, and inspection of water, sewer, drainage, roadway, and other public infrastructure (the "Public Infrastructure") to serve the property within the District. The Developer and/or District are responsible for designing, acquiring and constructing for the benefit of, and for ultimate conveyance to the City, the water and sewer Public Infrastructure. The City agrees to provide water supply services and wastewater treatment services to the District. The District, at its sole expense, shall provide, or cause to be provided, police and fire services, within the District. EMS service shall be provided by the City to the property within the District.

Police and Fire Services

Prior to the date upon which any developer, owner, or builder submits an application for the issuance of a certificate of occupancy for the 934th Dwelling Unit (as defined in the Development Agreement), the District, at its sole expense, shall contract with the City or the County for additional law enforcement officers (i.e., in addition to the law enforcement services provided by the County) as provided below.

Number of Dwelling Unit Certificates of Occupancy	Total Additional Law Enforcement Officers
934 – 1,565	2
1,566 – 2,239	3
2,240 – 2,933	4
2,934 – 3,617	5
3,618 – greater	6

The District has entered into a contract with the County to provide additional law enforcement. The City shall provide fire protection services for the first 1,500 Dwelling Units within the District and the District shall pay the City for its pro-rata share of such service based upon the total cost for fire service expended by the City divided by the number of structures within the City and the District. Prior to eighteen (18) months after

Developer or District completes all required adjacent streets and water and sanitary sewer utilities necessary to serve the Fire Station Facility (as defined in the Development Agreement), the City shall complete the construction and equipping of the Fire Station Facility. The Developer is required to share in the soft costs and capital costs of the Fire Station Facility's improvements and equipment (the "Developer's Share") in an amount equal to the lessor of (a) 90% of the City's estimated capital costs of the Fire Station Facility, or (b) $7,650,000. The Developer has deposited the full amount of the Developer's share with the City and the Fire Station Facility is under construction, with an estimated completion date of April 2020. In addition to the obligation to pay the Developer's Share above, the District and MUD 2 have paid an amount equal to 70% of one (1) year's aggregate cost of the employee compensation and training costs for eighteen (18) newly-hired personnel necessitated by the opening of the Fire Station Facility, based upon the annual, budgeted costs of a firefighter position (and training). Thereafter, and on an annual basis and beginning on the first anniversary of the first day of operations at the Fire Station Facility, the Developer, the District or MUD 2 shall make payments to the City for a percentage of all personnel, equipment, building maintenance, and other costs to provide Fire Services, save and except the costs of providing EMS services from the Fire Station Facility, based upon the geographic areas served by the Fire Station Facility. It is currently estimated that this percentage will be 40.19%.

The Public Infrastructure

The Development Agreement provides that the Public Infrastructure will be designed and constructed in accordance with the requirements and criteria of the TCEQ, the City, and all other federal, state, and local governmental authorities having jurisdiction over the construction of the Public Infrastructure. The City shall provide retail water and sewer service to the property within the District. Retail water and sewer customers within the District shall pay the applicable water and sewer rates for customers outside the corporate limits of the City.

Water Public Infrastructure: At no cost to the Developer or the District, the City shall (1) not sooner than the date of the request for the issuance of a building permit for the 1,800th Dwelling Unit or later than the issuance of a building permit for the 2,200th Dwelling Unit, design, acquire easements for, construct, cause to be dedicated to and accepted by the City, and make operational, the "Bloomdale Pump Station" and the water lines required to deliver an adequate supply of water from the Bloomdale Pump Station to the north side of Bloomdale Road as shown on the City's Water Master Plan; (2) use its best efforts to enter into necessary contracts and agreements to deliver adequate water supply to the City system to the extent necessary to provide uninterrupted, equitable and uniform retail water service to the District; and (3) design, acquire easements for, construct, cause to be dedicated to and accepted by the City, and make operational all upgrades and expansions to the City's off-property water Public Infrastructure to the extent necessary to provide uninterrupted, equitable and uniform retail water service to the District.

At no cost to the City, the Developer will direct the District to cause the following to occur with respect to the water Public Infrastructure: (1) prior to the issuance of a building permit for the 450th Dwelling Unit, design, acquire easements for, construct, and tender for dedication to and acceptance by the City, the extension of the existing 36-inch water line located in Hardin Boulevard north of Wilmeth Drive (the "West Feed") to the north from its current dead end along the alignment of future Hardin Boulevard to FM 543, then east along FM 543 to the District; (2) prior to the issuance of a building permit for the 525th Dwelling Unit, design, acquire easements for, construct, and tender for dedication to and acceptance by the City, the elevated water storage facility designated as the "Trinity Elevated Storage Tank" on the City's current Water Master Plan; and (3) design, acquire easements for, construct, and tender for dedication to and acceptance by the City, those additional in-District water Public Infrastructure items described on the City's Water Master Plan or as otherwise approved by the City's engineer, said additional water Public Infrastructure to be constructed prior to or at the time of need, depending on development phasing, or as may be necessitated due to concurrent construction of other improvements, such as roadways.

The West Feed and the Trinity Elevated Storage Tank have been completed and accepted by the City.

Sewer Public Infrastructure: The City shall design, acquire easements for, construct, and cause to be dedicated to and accepted by the City, all upgrades and expansions to the City's off-property sewer Public Infrastructure to the extent necessary to provide uninterrupted, equitable and uniform sanitary sewer service to the District.

At no cost to the City, the Developer will direct the District to cause the following to occur with respect to the sewer Public Infrastructure: (1) prior to the issuance of the first building permit for any Dwelling Unit, design, acquire easements for, construct, and tender for dedication to and acceptance by the City, the sewer facility designated as "Future Line # 16" on the City's current Wastewater Master Plan (the "Off-Site Sewer Line") from the south boundary of the property to the existing trunk sewer located near the confluence of East Fork Trinity River and Honey Creek; and (2) design, acquire easements for, construct, and tender for dedication to and acceptance by the City in accordance with the Subdivision Ordinance, those additional sewer Public Infrastructure items required to serve the District, as typically required elsewhere in the City.

The Off-Site Sewer Line is complete and has been accepted by the City.

Roadway Public Infrastructure: Building permits shall be issued by the City for up to 655 Dwelling Units based on the roadway Public Infrastructure in existence as of the effective date of the Development Agreement and no additional off-property roadway Public Infrastructure shall be required prior to the 655th building permit.

Pursuant to the terms of the Development Agreement, the City has elected to contribute $3,600,000 for the construction by the Developer of Farm-to-Market Road 543 ("FM 543")/Trinity Falls Parkway as a four-lane, divided thoroughfare. The Developer shall diligently pursue completion of FM 543/Trinity Falls Parkway in conformance with City standards prior to the issuance of the 1,100th building permit, after which any building permit issuance shall cease until completion; and upon completion and approval by the City of FM 543/Trinity Falls Parkway, building permits for up to an aggregate total of 1,760 Dwelling Units may be issued. The expansion of FM 543/Trinity Falls Parkway to a four-lane divided thoroughfare is currently under construction, with an estimated completion date of May 2020.

Additional building permits beyond 1,760 through build-out of the District shall be issued when either of the following conditions is satisfied: (1) FM 543/Trinity Falls Parkway as a four-lane, divided thoroughfare that complies with City standards has been completed and approved and at least two lanes of Melissa Road that comply with City of Melissa standards have been completed and approved; or (2) FM 543/Trinity Falls Parkway as a four-lane, divided thoroughfare that complies with City standards has been completed and approved and at least two lanes of Hardin Boulevard that comply with City standards have been completed and approved.

Ownership, Operation, and Maintenance of the Public Infrastructure

If dedicated to and accepted by the City, the City shall at all times maintain the Public Infrastructure, or cause such Public Infrastructure to be maintained, in good condition and working order in compliance with all applicable laws and ordinances and all applicable regulations, rules, policies, standards, and orders of any governmental entity with jurisdiction over same. To the extent the City accepts and utilizes the water and sewer Public Infrastructure, the City shall operate the water and sewer Public Infrastructure serving the District and will use the Public Infrastructure to provide service to all customers within the District. To the extent none of the City, the County or the State of Texas accepts roadway Public Infrastructure within the District, then such roadway Public Infrastructure shall be maintained to standard City maintenance standards by the District. To the extent roadway Public Infrastructure outside the District is not accepted by the applicable jurisdiction therefor, the District shall have the right, but not the obligation, to maintain such roadway Public Infrastructure. To the extent none of the City, the County or the State of Texas accepts drainage Public Infrastructure within the District, such drainage Public Infrastructure shall be maintained by the District.

CONSENT AGREEMENT WITH CITY

In connection with the creation of the District, the City, the Developer, and the District entered into a "2012 Agreement Concerning the Creation and Operation of McKinney Municipal Utility District No. 1 of Collin County," as amended by that certain First Amendment to 2012 Agreement Concerning Creation and Operation of McKinney Municipal Utility District No. 1 of Collin County dated July 20, 2016, and that certain Second Amendment to 2012 Agreement Concerning Creation and Operation of McKinney Municipal Utility District No. 1 of Collin County dated October 17, 2017 (collectively, the "Consent Agreement"). In the Consent Agreement, which amends and restates a similar consent agreement with a prior owner of the property upon which the District was formed, the City consented to: the creation of the District; the District undertaking certain road projects within the District; the calling of an election to create the District and carry out its operations; and the division of the District into two separate municipal utility districts.

In addition, the City agreed that the City would not annex the District any earlier than the first to occur of: (1) completion of the "Major Items" listed below, the completion of the construction of the infrastructure to serve full development of the property and the issuance by the District of bonds to reimburse the full cost of the "Major Items" and all water, wastewater, drainage, roadway and other infrastructure improvements installed or constructed to serve the development, whether located within or outside the development; (2) fifteen (15) years after the first record plat is recorded within the District; or (3) the dissolution of the District (other than as a result of annexation by the City).

The "Major Items" to be completed include: (1) the purchase, construction and improvement of land, improvements and facilities necessary to: (a) provide water supply for the District for municipal, domestic, and commercial uses; (b) collect, transport, and dispose of all domestic, commercial, industrial or communal wastes from the District; (c) gather, conduct and control local storm water; and (d) undertake the road project set forth in the Consent Agreement; (2) the payment of organizational expenses, initial operating expenses, cost of insurance, interest during construction and capitalized interest; (3) the establishment, operation and maintenance of a police and fire department to perform emergency services within the District; (4) the purchase, construction and improvement of land, facilities and equipment related to recreational facilities; and (5) the refunding of any outstanding Bonds of the District for a debt service savings.

Furthermore, in consideration for the City's consent to create the District and issue unlimited tax bonds for road facilities, the District agrees that it and MUD 2 shall not to issue more than an aggregate $318,000,000 principal amount of bonds, plus a 3% annual increase on the amount of authorized but unissued bonds on each July 1, beginning July 17, 2017 (excluding refunding bonds), unless specifically approved by the City. After the issuance of the Bonds, the District and MUD 2 will have $295,830,553 remaining under such cap.

STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY

The City and the District entered into a "Strategic Partnership Agreement" (the "Strategic Partnership Agreement"). In the Strategic Partnership Agreement, the City annexed the District for the sole and exclusive purpose of imposing and collecting sales and use taxes authorized by Chapter 321 of the Texas Tax Code, including Type A and Type B economic development corporation sales tax, within such area. The City is not required to provide any municipal services to Trinity Falls. The City also agreed to pay to the District an amount equal to twenty-five percent (25%) of its portion ($0.01) of the sales and use tax revenue collected within Trinity Falls, other than the Type A and Type B sales taxes collected by the City. No portion of the Type A and Type B sales taxes collected are paid to the District. The District is limited in its use of the sales and use taxes revenue to the following purposes and in the following priority: (1) to reimburse owners and developers of land within Trinity Falls for the following costs to the extent eligible for reimbursement through the issuance of District bonds: (a) the cost to design and construct any improvements, whether located within or outside Trinity Falls, that serve Trinity Falls ("Eligible Infrastructure Reimbursements"), (b) the cost to manage and administer the District, and (c) the cost of police, fire and EMS services provided within Trinity Falls; (2) for the deposit into, and disbursement from, an escrow for reimbursement of future Eligible Infrastructure Reimbursements; (3) for retirement of District bonds; and (4) for any lawful purpose.

DEVELOPER AND PRINCIPAL LANDOWNER

The Role of a Developer

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

Developer and Principal Landowner

The developer and principal owner of land within the District, and the rest of Trinity Falls, is Trinity Falls Holdings LP (the "Developer"). The limited principal partner of the Developer is McKinney Project Holdings LLC, and the general partner of the Developer is Johnson Trinity Falls GP LLC, which is an affiliate of The Johnson Development Corp.

Development Management

Development of Trinity Falls is managed by The Johnson Development Corp. Larry D. Johnson, President of The Johnson Development Corp., has over 40 years of real estate experience, resulting in the development of nearly 45,000 acres of multi-use commercial parks, office buildings, retail centers, residential subdivisions, master planned golf course communities, and multi-family housing.

The Johnson Development Corp. has developed master-planned communities in Houston, Atlanta, and other markets. In addition to Trinity Falls, The Johnson Development Corp. or its principals are involved in the development of the following projects: Viridian, a 2,000-acre residential project in Arlington, Tarrant County, Texas; Sienna Plantation, a 10,000-acre, mixed-use project southwest of Houston, Fort Bend County, Texas; Riverstone, a 3,700-acre, mixed-use project southwest of Houston, Fort Bend County, Texas; Imperial, a 700-acre, master-planned community in Sugar Land, Texas; Towne Lake and Towne Lake Hills, a 3,700-acre residential project in the Atlanta, Georgia area; Lake Arrowhead, a 6,000-acre residential project in the Atlanta, Georgia area; and Woodforest, a 3,200-acre project located north of Houston in Montgomery County, Texas.

Development Financing

The Developer has financed the purchase and development of land within the District through a loan agreement dated July 18, 2016, with U.S. Bank National Association. As of March 1, 2020, $49,724,879 of the loan's maximum principal amount of $50,000,000 was outstanding. According to the Developer, it is in compliance with all material terms of such loan.

Lot-Sales Contracts

A previous developer sold in bulk the entirety of Trinity Falls Planning Unit 1 ("PU1"), consisting of 527 total lots (all of which are located within the District), to the following homebuilders: Beazer Homes, Ashton Woods, Emerald Homes and Gehan Homes. Within PU1: Beazer Homes purchased 119 lots; Ashton Woods purchased 180 lots; Emerald Homes purchased 121 lots; and Gehan Homes purchased 107 lots.

A previous developer sold in bulk the entirety of Trinity Falls Planning Unit 2 ("PU2"), consisting of 463 total lots (447 of which are located within the District, the remainder of which are located within MUD 2), to the following homebuilders: Ashton Woods, Gehan Homes, Highland Homes, Meritage Homes and Plantation Homes. Within PU2: Ashton Woods purchased 72 lots; Gehan Homes purchased 83 lots; Highland Homes purchased 142 lots; Meritage Homes purchased 72 lots; and Plantation Homes purchased 92 lots.

The lots in Trinity Falls Planning Unit 3 ("PU3") are being sold through option lot sales contracts with Chesmar Homes, Del Webb, Drees Custom Homes, Grenadier Homes, Highland Homes, Perry Homes, Plantation Homes and Pulte Homes. Lots within PU3 are located within the District and MUD 2. These homebuilders have contracted to purchase 1,347 lots within PU3. The first 15 lots were delivered in September of 2017 and the homebuilders are currently in compliance with their respective lot contracts.

DEVELOPMENT WITHIN THE DISTRICT

Current Status of Development

Land within the District has been developed as the single-family subdivisions of Trinity Falls Planning Unit 1, Phases 1A, 1B, 2A, and 2B; Trinity Falls Planning Unit 2, Phases 1, 2, 3, and 4; and Trinity Falls Planning Unit 3, Phases 1A, 1B, 2A, 2B, 3A, 4A, 4B, 4E, 5A, and 5B East (aggregating approximately 476 acres and approximately 1,616 single-family lots). As of March 1, 2020, the District consisted of approximately 1,213 completed homes (1,105 occupied, 97 unoccupied, and 11 models), 99 homes under construction, and 304 vacant developed lots.

In addition to the single-family development, approximately 6 acres within the District have been developed to include an amenity center (known as "The Club") and approximately 119 acres have been developed as the first three phases of the Trinity Falls B.B. Owen Park. Approximately 24 acres will be dedicated to McKinney Independent School District for two elementary schools and approximately 16 adjoining acres will be dedicated to the City for neighborhood parks. Of the remaining undeveloped acreage within the District, approximately 40 acres will be dedicated to the development of the future phases of Trinity Falls B.B. Owen Park, approximately 66 acres will be dedicated to future single-family development, approximately 3 acres have been dedicated as a site for an elevated storage tank, and approximately 53 acres are undevelopable.

The following sets out the status of development of each phase of each single-family subdivision within the District as of March 1, 2020:

Trinity Falls	Developed Acreage	Total Lots	Homes Completed	Homes Under Construction	Vacant Developed Lots
Planning Unit 1					
Phase 1A	21.196	33	33	–	–
Phase 1B	50.690	205	205	–	–
Phase 2A	39.520	121	121	–	–
Phase 2B	38.959	168	168	–	–
Planning Unit 2					
Phase 1	59.369	188	181	2	5
Phase 2	38.539	139	130	5	4
Phase 3	29.999	84	84	–	–
Phase 4	22.050	52	52	–	–
Planning Unit 3					
Phase 1A	5.271	15	9	–	6
Phase 1B	38.064	154	149	1	4
Phase 2A	23.265	84	17	20	47
Phase 2B	16.023	72	5	9	58
Phase 3A	39.720	88	10	23	55
Phase 4A	9.390	30	27	2	1
Phase 4B	15.445	92	–	14	78
Phase 4E	1.186	5	–	3	2
Phase 5A	21.700	53	22	20	11
Phase 5B East	6.070	33	–	–	33
Total	476.456	1,616	1,213	99	304
Undeveloped but Developable	66.221				
Undevelopable (a)	338.643				
Total	881.320				

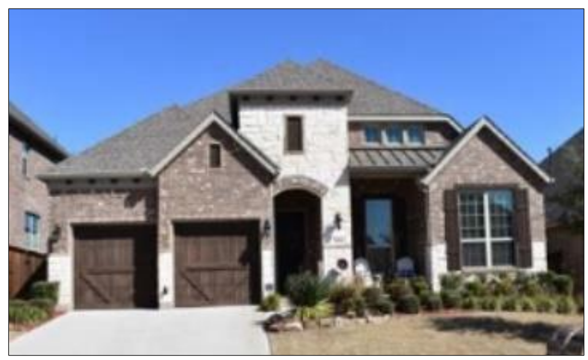
(a) Includes approximately 6 acres developed as The Club, approximately 119 acres developed as the first three phases of Trinity Falls B.B. Owen Park, approximately 24 acres to be dedicated to McKinney Independent School District for two elementary schools and approximately 16 adjoining acres to be dedicated to the City for neighborhood parks, approximately 40 acres to be dedicated for the development of the future phases of the Trinity Falls B.B. Owen Park, and approximately 3 acres dedicated as a site for an elevated storage tank.

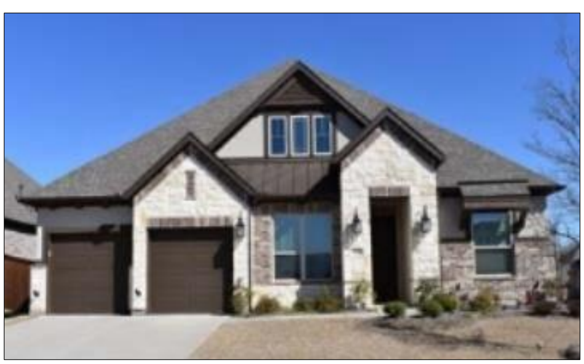
Homebuilders

Homebuilders active in the District are Chesmar Homes, Del Webb, Drees Custom Homes, Grenadier Homes, Highland Homes, Perry Homes, Plantation Homes and Pulte Homes. The homebuilders completed construction of 7 homes in 2014; 139 homes in 2015; 238 homes in 2016; 274 homes in 2017; 216 homes in 2018; 253 homes in 2019; and 18 homes through March 1, 2020. Homes are being marketed from approximately $240,000 to approximately $500,000 and range in size from approximately 1,500 square feet to over 4,500 square feet.

PHOTOGRAPHS WITHIN THE DISTRICT

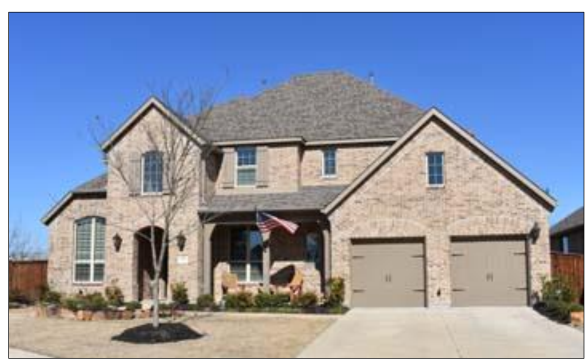
(February 2020)



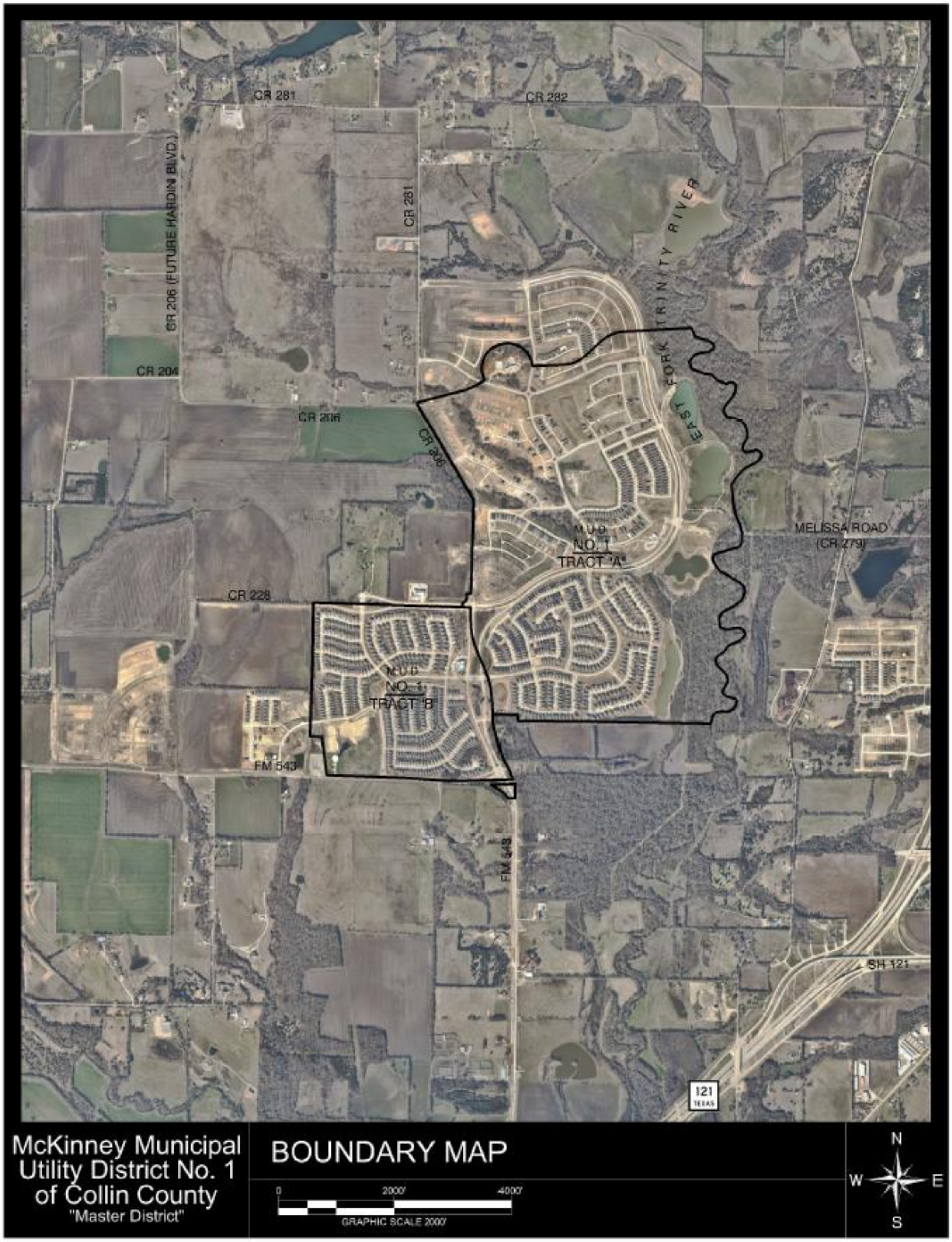


PHOTOGRAPHS WITHIN THE DISTRICT

(February 2020)



AERIAL PHOTOGRAPH OF THE DISTRICT



TAX DATA

General

Taxable property within the District is subject to the assessment, levy and collection by the District of a continuing direct, annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds (and any future tax-supported bonds which may be issued from time to time as authorized). Taxes are levied by the District each year against the District's assessed valuation as of January 1 of that year. Taxes become due October 1 of such year, or when billed, and generally become delinquent after January 31 of the following year. The Board covenants in the Bond Order to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax ample and sufficient to produce funds to pay the principal of and interest on the Bonds. The actual rate of such tax will be determined from year to year as a function of the District's tax base, its debt service requirements and available funds. In addition, the District has the power and authority to assess, levy and collect ad valorem taxes, in an amount not to exceed $1.20 per $100 of assessed valuation for operation and maintenance purposes. For the 2019 tax year, the Board levied a maintenance and operations tax of $0.31 per $100 of assessed valuation; a System debt service tax rate of $0.61 per $100 of assessed valuation; and a Road System debt service tax rate of $0.13 per $100 of assessed valuation.

Tax Rate Limitation

System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Maintenance and Operations:	$1.20 per $100 of assessed valuation.

Debt Service Tax

The Board covenants in the Bond Order to levy and assess, for each year that all of 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. The District levied its first debt service tax in 2015. For the 2019 tax year, the Board levied a tax rate of $0.61 per $100 of assessed valuation for System debt service and a tax rate of $0.13 per $100 of assessed valuation for Road System debt service. Funds in the System debt service fund cannot be used to pay debt service on the Outstanding Road Bonds, the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System. Funds in the Road System debt service fund cannot be used to pay debt service on the Outstanding System Bonds, the System Bonds, or any other bonds issued for the purpose of acquiring or constructing the System.

Maintenance and Operations Tax

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance and operations of the District's improvements, if such maintenance and operations tax is authorized by vote of the District's electors. At an election held within the District on May 10, 2014, the Board was authorized to levy such a maintenance and operations tax in an amount not to exceed $1.20 per $100 of assessed valuation. The District levied its first maintenance and operations tax in 2014. For the 2019 tax year, the Board levied a maintenance and operations tax of $0.31 per $100 of assessed valuation. Such tax is in addition to taxes which the District is authorized to levy for paying principal of and interest on: (i) the Outstanding System Bonds and the System Bonds and (ii) the Outstanding Road Bonds and the Road Bonds.

Tax Exemption

As discussed in the section entitled "TAXING 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 will contract with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish 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 August 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 Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2015–2019 tax years:

Tax Year	Assessed Valuation	Tax Rate (a)	Adjusted Levy	Percent of Collections Current Year	Current Year Ending 03/31	Percent of Collections 02/29/2020
2015	$ 59,836,305	$ 1.050	$ 628,281	99.58%	2016	100.00%
2016	$ 127,800,383	$ 1.050	$ 1,341,904	99.64%	2017	100.00%
2017	$ 235,642,435	$ 1.050	$ 2,474,246	99.18%	2018	99.76%
2018	$ 313,450,115	$ 1.050	$ 3,291,226	98.85%	2019	99.76%
2019	$ 391,169,757	$ 1.050	$ 4,107,282	96.60% (b)	2020	96.60% (b)

(a) Total tax rate per $100 of assessed valuation for each respective tax year.

(b) In the process of collections.

Tax Rate Distribution

The following table sets out the components of the tax levy of the District for the 2015-2019 tax years.

	2019	2018	2017	2016	2015
System Debt Service	$ 0.610	$ 0.540	$ 0.600	$ 0.380	$ 0.545
Road System Debt Service	$ 0.130	$ 0.150	$ 0.200	$ 0.280	$ 0.000
Maintenance & Operation	$ 0.310	$ 0.360	$ 0.250	$ 0.390	$ 0.505
Total	$ 1.050	$ 1.050	$ 1.050	$ 1.050	$ 1.050

Analysis of Tax Base

The following table illustrates the District's total assessed value by property type in the 2015-2019 tax years.

Type of Property	2019 Assessed Taxable Valuation	2018 Assessed Taxable Valuation	2017 Assessed Taxable Valuation	2016 Assessed Taxable Valuation	2015 Assessed Taxable Valuation
Land	$ 117,610,859	$ 99,603,930	$ 93,531,474	$ 76,712,441	$ 54,131,493
Improvements	282,783,545	219,185,916	145,904,613	53,447,589	6,959,421
Personal Property	4,532,353	3,628,932	2,176,379	457,498	39,500
Exemptions	(13,757,000)	(8,968,663)	(5,970,031)	(2,817,145)	(1,294,109)
Total	$ 391,169,757	$ 313,450,115	$ 235,642,435	$ 127,800,383	$ 59,836,305

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Principal Taxpayers

The following represents the principal taxpayers and their respective types of property and assessed values within the District as of the Appraisal District's original certification of its appraisal rolls for the 2019 tax year:

Taxpayer	Type of Property	2019 Assessed Taxable Value	Percent of Tax Roll
Trinity Falls Holdings LP	Land	$ 14,081,566	3.600%
Homeowner	Land & Improvements	2,981,659	0.762%
Meritage Homes of Texas LLC	Land & Improvements	2,902,620	0.742%
Highland Homes - Dallas LLC	Land & Improvements	2,079,917	0.532%
Perry Homes LLC	Land & Improvements	2,014,291	0.515%
Gehan Homes LTD	Land, Improve. & Personal Prop.	2,010,610	0.514%
Chesmar Homes LLC	Land	1,620,000	0.414%
MHI Partnership LTD	Land, Improve. & Personal Prop.	1,616,000	0.413%
Pulte Homes of Texas LP	Land	1,096,052	0.280%
Ashton Dallas Residential LLC	Land & Personal Property	832,200	0.213%
Total		$ 31,234,928	7.985%

Tax Rate Calculations

System Debt Service: The tax rate calculations set forth immediately below are presented to indicate the tax rates per $100 of assessed valuation that would be required to meet certain debt service requirements on the Outstanding System Bonds and the System Bonds if no growth in the District occurs beyond the 2019 assessed valuation ($391,169,757) or the estimated valuation as of February 11, 2020 ($459,000,000). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2020–2045)	$ 2,609,512
System Tax Rate of $0.71 on the 2019 Assessed Valuation produces	$ 2,638,440
System Tax Rate of $0.60 on the Estimated Valuation (February 11, 2020) produces	$ 2,616,300
Maximum Annual Debt Service Requirement (2040)	$ 3,187,175
System Tax Rate of $0.86 on the 2019 Assessed Valuation produces	$ 3,195,857
System Tax Rate of $0.74 on the Estimated Valuation (February 11, 2020) produces	$ 3,226,770

Road System Debt Service: The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation that would be required to meet certain debt service requirements on the Outstanding Road Bonds and the Road Bonds if no growth in the District occurs beyond the 2019 assessed valuation ($391,169,757) or the estimated valuation as of February 11, 2020 ($459,000,000). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2020–2045)	$ 504,883
Road System Tax Rate of $0.14 on the 2019 Assessed Valuation produces	$ 520,256
Road System Tax Rate of $0.12 on the Estimated Valuation (February 11, 2020) produces	$ 523,260
Maximum Annual Debt Service Requirement (2039)	$ 633,213
Road System Tax Rate of $0.18 on the 2019 Assessed Valuation produces	$ 668,900
Road System Tax Rate of $0.15 on the Estimated Valuation (February 11, 2020) produces	$ 654,075

Combined Debt Service: The tax rate calculations set forth below are presented to indicate the tax rates per $100 of assessed valuation that would be required to meet certain debt service requirements on the Outstanding Bonds and the Bonds if no growth in the District occurs beyond the 2019 assessed valuation ($391,169,757) or the estimated valuation as of February 11, 2020 ($459,000,000). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2020–2045)	$ 3,114,395
Combined Tax Rate of $0.84 on the 2019 Assessed Valuation produces	$ 3,121,535
Combined Tax Rate of $0.72 on the Estimated Valuation (February 11, 2020) produces	$ 3,139,560

Maximum Annual Debt Service Requirement (2040)	$ 3,818,338
Combined Tax Rate of $1.03 on the 2019 Assessed Valuation produces	$ 3,827,596
Combined Tax Rate of $0.88 on the Estimated Valuation (February 11, 2020) produces	$ 3,837,240

Estimated Overlapping Taxes

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

Set forth below is a compilation of all 2019 taxes levied by such jurisdictions per $100 of assessed valuation. The table below does not include any future debt service tax rate that may be levied as a result of the issuance of the Bonds (see "Debt Service Tax" above). Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

Taxing Jurisdiction	2019 Tax Rate Per $100 of Assessed Taxable Valuation
The District	$1.050000
Collin County	$0.174951
Collin County Community College District	$0.081222
McKinney Independent School District	$1.488350
Total Tax Rate	$2.794523

THE SYSTEM

General

The water, wastewater and drainage facilities, the purchase, acquisition and construction of which have been financed by the District with the proceeds of the Bonds, have been designed in accordance with accepted engineering practices and the recommendation of certain governmental agencies having regulatory or supervisory jurisdiction over construction and operation of such facilities, including among others, the TCEQ. According to the Engineer, the design of all such facilities has been approved by all governmental agencies, which have jurisdiction over the District.

Description of the System

- Water Supply and Distribution -

Currently all of the District's water is provided by the City. The water line that serves the District is capable of serving 2,200 equivalent single-family connections ("ESFCs").

- Wastewater Treatment and Conveyance System -

The District receives wastewater treatment capacity from the City. The sewer line that serves the District is capable of serving 4,176 ESFCs.

- Storm-Water Drainage Facilities -

Storm water in the District is generally carried from west to east from the District to several unnamed tributaries that flow directly to the Trinity River. The District is adjacent to the Trinity River and several outfalls from the District will be constructed that connect directly to it. In other areas, the existing tributaries will be used to convey flow from the District to the Trinity River. All drainage elements were designed according to the requirements of the City and were approved by the City prior to construction.

The District is being constructed with an underground storm water sewer system that utilizes curb inlets, area inlets, reinforced concrete pipe, concrete box culverts and existing unnamed tributaries to collect and convey flow to the Trinity River. There are currently two (2) detention ponds that collect flow from the District and release flow into unnamed tributaries that leave the boundaries of the District before their confluence with the Trinity River. These ponds were designed according to the requirements of the City and were approved by the City prior to construction.

Approximately 31 acres in the District lie in the 100-year floodplain. No development is planned within the 100-year floodplain.

Description of the Roads

Construction of the road improvements within the boundaries of the District has been financed with funds advanced by the Developer, to be reimbursed with bond proceeds. The roads within the District vary in width in accordance with the standards of the City and are sized to according to the Developer's Development Agreement with the City.

Master District Contract

The District has agreed to assume the responsibility of becoming the coordinating municipal utility district for provision of certain regional services to the Trinity Falls community (the "Service Area"), which consists of three municipal utility districts (the District, MUD 2, and McKinney Municipal Utility District No. 2A (a benign district that will never become active)), in its capacity as a participating municipal utility district (collectively, the "Participant Districts"). The District, when acting in the capacity as the coordinating district, is considered the master district (the "Master District").

The Participant Districts and the Master District have entered into the Amended and Restated Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer Facilities, Roads, and Fire Protection Facilities, as amended by those certain Amendments to Amended and Restated Contract for Financing, Operation and Maintenance of Regional Water, Sanitary Sewer, Storm Sewer Facilities, Roads, and Fire Protection Facilities, each dated effective September 5, 2018 (collectively, the "Master District Contract"). Under the Master District Contract, the Master District is obligated to provide the Road System, System, and fire protection facilities required by the Master District Contract, necessary to serve the Participant Districts. To provide funds necessary to acquire the needed facilities, the Participant Districts are required under the contract to pay connection charges to the Master District in amounts sufficient to enable the Master District to provide such services. The connection charge, which is subject to recalculation periodically, is determined by dividing the current estimated costs of all the aforementioned regional facilities to be constructed minus the payments which have previously been received for connections purchased, by the anticipated number of connections remaining to be purchased, within the Service Area. Between recalculation dates, the ENR Construction Cost Index, a construction industry cost indexing standards periodic publication, may be applied as an escalator to the connection charge. In lieu of payment of connection charges, the District, with the approval of the Master District, may construct facilities for the Master District which after completion are conveyed to the Master District as a credit against connection charges.

The total current master district connection fee of $18,889 consists of a $8,691 Master District System connection fee, a $8,523 Master District Road System connection fee and a $1,675 Master District fire protection connection fee. The funds held by the District in its capacity as the Master District are legally separate distinct from the funds of the District in its capacity as a Participant District. Funds held by the District in its capacity as the Master District will never be available to make debt service payments on the Bonds.

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General Fund Operating Statement

The following statement sets forth in condensed form the historical results of operation of the District's System. Such summary has been prepared by the Financial Advisor for inclusion herein, based upon information obtained from the District's audited financial statements and bookkeeper's report. Reference is made to such statements for further and more complete information. See "APPENDIX A."

		Fiscal Year Ended March 31			
	2020 (a)	2019	2018	2017	2016
REVENUES					
Water Service	$ 32,530	$ 11,782	$ 10,491	$ 9,982	$ 20,066
Garbage Service	47,252	49,097	41,897	18,023	6,748
Property Taxes	1,210,351	1,113,392	570,842	486,695	324,404
Builder Contributions	386,200	361,000	264,000	548,000	444,000
Franchise Fees	62,517	54,682	36,776	19,060	3,451
Miscellaneous	175,088	–	–	–	–
Investment Earnings	18,533	19,656	5,885	1,486	266
TOTAL REVENUES	$ 1,932,471	$ 1,609,609	$ 929,891	$ 1,083,246	$ 789,935
EXPENDITURES					
Professional Fees	$ 355,669	$ 204,045	$ 238,535	$ 98,170	$ 134,501
Contracted Services	47,545	64,795	45,088	8,843	5,242
Repairs and Maintenance	127,636	143,241	4,096	7,017	–
Utilities	23,446	24,712	23,238	19,174	23,952
Regional Water Authority Fees	1,132	2,328	1,050	998	2,059
Administrative	29,155	30,316	22,504	13,416	10,913
Other	28,585	25,684	–	–	–
City Park Fee	76,511	59,938	43,257	21,150	4,837
Fire Service Fee	437,760	314,836	194,232	70,622	–
Capital Outlay	472,373	–	365,231	–	–
TOTAL EXPENDITURES	$ 1,599,812	$ 869,895	$ 937,231	$ 239,390	$ 181,504
Net Revenue (Deficit)	$ 332,659	$ 739,714	$ (7,340)	$ 843,856	$ 617,431

(a) Unaudited. As of March 20, 2020.

DISTRICT DEBT

2019 Assessed Valuation See "TAX DATA" and "TAXING PROCEDURES."	$ 391,169,757	(a)
Estimated Valuation as of February 11, 2020 See "TAX DATA" and "TAXING PROCEDURES."	$ 459,000,000	(b)
Direct Debt:		
The Outstanding System Bonds (as of March 1, 2020)	$ 38,765,000	
The Outstanding Road Bonds (as of March 1, 2020)	7,830,000	
The System Bonds	7,420,000	
The Road Bonds	1,065,000	
Total	$ 55,080,000	
Estimated Overlapping Debt (as of January 31, 2020)	$ 13,883,454	(c)
Total Direct and Estimated Overlapping Debt	$ 68,963,454	(c)
Direct Debt Ratios:		
As a Percentage of the 2019 Assessed Valuation	14.08 %	
As a Percentage of the Estimated Valuation as of February 11, 2020	12.00 %	
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of the 2019 Assessed Valuation	17.63 %	
As a Percentage of the Estimated Valuation as of February 11, 2020	15.02 %	
General Operating Fund (as of March 4, 2020)	$ 2,224,310	
System Capital Projects Fund (as of March 4, 2020)	$ 89,918	
Road System Capital Projects Fund (as of March 4, 2020)	$ 11,661	
System Debt Service Fund (as of March 4, 2020)	$ 2,351,096	(d)
Road System Debt Service Fund (as of March 4, 2020)	$ 649,110	(e)
2019 District Tax Rate per $100 of Assessed Valuation:		
System Debt Service	$ 0.610	
Road System Debt Service	$ 0.130	
Maintenance & Operation	$ 0.310	
Total	$ 1.050	
Single-Family Homes (including 99 under construction) as of March 1, 2020	1,312	

(a) As provided by the Appraisal District. All property located in the District is valued on the tax rolls by the Appraisal District as of January 1 of each year.

(b) Provided by the Appraisal District for information purposes only. Represents new construction within the District from January 1, 2019, to February 11, 2020. This estimate is based upon the same unit value used in the assessed value. No taxes will be levied on this estimate. See "TAXING PROCEDURES."

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

(d) At the time of closing, six (6) months of capitalized interest on the System Bonds and accrued interest on the System Bonds from May 1, 2020, to the date of delivery of the System Bonds will be deposited into the System debt service fund. Neither Texas law nor the System Bond Order requires that the District maintain any particular sum in the System debt service fund. The funds in the System debt service fund are pledged only to pay the debt service on the Outstanding System Bonds, the System Bonds, and any other bonds issued for the purpose of acquiring or constructing the System. The funds in the System debt service fund are not pledged to pay debt service on the Outstanding Road Bonds, the Road Bonds, or any other bonds issued for the purpose of acquiring or constructing the Road System.

(e) At the time of closing, accrued interest on the Road Bonds from May 1, 2020, to the date of delivery of the Road Bonds will be deposited into the Road System debt service fund. Neither Texas law nor the Road Bond Order requires that the District maintain any particular sum in the Road System debt service fund. The funds in the Road System debt service fund are pledged only to pay the debt service on the Outstanding Road Bonds, the Road Bonds, and any other bonds issued for the purpose of acquiring or constructing the Road System. The funds in the Road System debt service fund are not pledged to pay debt service on the Outstanding System Bonds, the System Bonds, or any other bonds issued for the purpose of acquiring or constructing the System.

DISTRICT DEBT
(CONTINUED)

System Debt Service Calculations

Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2020–2045)	$	2,609,512
Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2040)	$	3,187,175
System Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2020–2045) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.71
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.60
System Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding System Bonds and the System Bonds (2040) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.86
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.74

Road System Debt Service Calculations

Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2020–2045)	$	504,883
Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2039)	$	633,213
Road System Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2020–2045) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.14
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.12
Road System Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding Road Bonds and the Road Bonds (2039) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.18
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.15

Combined Debt Service Calculations

Average Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2020–2045)	$	3,114,395
Maximum Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2040)	$	3,818,338
Combined Tax Rate per $100 of Assessed Valuation Required to Pay the Average Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2020–2045) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	0.84
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.72
Combined Tax Rate per $100 of Assessed Valuation Required to Pay the Maximum Annual Debt Service Requirement on the Outstanding System Bonds, the Outstanding Road Bonds, and the Bonds (2040) at 95% Collections:		
Based on the 2019 Assessed Valuation ($391,169,757)	$	1.03
Based on the Estimated Valuation as of February 11, 2020 ($459,000,000)	$	0.88

Debt Service Requirements

- System Debt Service -

The following sets forth the debt service requirements on the Outstanding System Bonds and the debt service on the System Bonds.

Calendar Year	Outstanding Debt Service (a)	The System Bonds Principal	Interest	Debt Service	Total Debt Service
2020	$ 1,712,628	–	$ 92,579	$ 92,579	$ 1,805,207
2021	2,397,731	$ 175,000	277,738	452,738	2,850,469
2022	2,398,156	180,000	268,988	448,988	2,847,144
2023	2,401,731	185,000	259,988	444,988	2,846,719
2024	2,412,306	195,000	250,738	445,738	2,858,044
2025	2,420,831	205,000	240,988	445,988	2,866,819
2026	2,443,263	210,000	230,738	440,738	2,884,000
2027	2,459,788	220,000	220,238	440,238	2,900,025
2028	2,478,538	230,000	209,238	439,238	2,917,775
2029	2,504,688	240,000	197,738	437,738	2,942,425
2030	2,527,863	250,000	185,738	435,738	2,963,600
2031	2,540,656	260,000	173,238	433,238	2,973,894
2032	2,560,394	270,000	160,238	430,238	2,990,631
2033	2,582,181	285,000	152,138	437,138	3,019,319
2034	2,608,706	295,000	143,588	438,588	3,047,294
2035	2,625,469	310,000	134,738	444,738	3,070,206
2036	2,638,694	320,000	125,438	445,438	3,084,131
2037	2,663,819	335,000	115,838	450,838	3,114,656
2038	2,684,781	350,000	105,788	455,788	3,140,569
2039	2,696,450	365,000	94,413	459,413	3,155,863
2040	2,724,625	380,000	82,550	462,550	3,187,175
2041	2,127,900	395,000	70,200	465,200	2,593,100
2042	1,216,038	415,000	57,363	472,363	1,688,400
2043	660,800	430,000	43,875	473,875	1,134,675
2044	–	450,000	29,900	479,900	479,900
2045	–	470,000	15,275	485,275	485,275
Total (b)	$ 56,488,034	$ 7,420,000	$ 3,939,279	$ 11,359,279	$67,847,314

(a) Outstanding debt as of March 1, 2020.

(b) Totals may not sum due to rounding.

Average Annual Requirement (2020–2045)........ $ 2,609,512
Maximum Annual Requirement (2040)........ $ 3,187,175

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- Road Debt Service -

The following sets forth the debt service requirements on the Outstanding Road Bonds and the debt service on the Road Bonds.

Calendar Year	Outstanding Debt Service	The Road Bonds Principal	Interest	Debt Service	Total Debt Service
2020	$ 368,146	–	$ 14,456	$ 14,546	$ 382,692
2021	519,318	$ 25,000	43,638	68,638	587,955
2022	516,418	25,000	42,263	67,263	583,680
2023	522,955	25,000	40,888	65,888	588,843
2024	518,955	30,000	39,513	69,513	588,468
2025	529,615	30,000	37,863	67,863	597,478
2026	529,090	30,000	36,213	66,213	595,303
2027	528,025	30,000	34,563	64,563	592,588
2028	537,933	35,000	32,913	67,913	605,845
2029	536,964	35,000	30,988	65,988	602,951
2030	540,645	35,000	29,063	64,063	604,708
2031	543,420	40,000	27,488	67,488	610,908
2032	550,516	40,000	25,688	65,688	616,204
2033	546,629	40,000	23,888	63,888	610,516
2034	552,209	45,000	22,088	67,088	619,296
2035	556,711	45,000	20,063	65,063	621,774
2036	560,463	45,000	18,038	63,038	623,500
2037	562,725	50,000	16,575	66,575	629,300
2038	564,200	50,000	14,950	64,950	629,150
2039	569,888	50,000	13,325	63,325	633,213
2040	564,463	55,000	11,700	66,700	631,163
2041	168,438	55,000	9,913	64,913	233,350
2042	67,438	60,000	8,125	68,125	135,563
2043	–	60,000	6,175	66,175	66,175
2044	–	65,000	4,225	69,225	69,225
2045	–	65,000	2,113	67,113	67,113
Total (b)	$ 11,455,160	$ 1,065,000	$ 606,796	$ 1,671,796	$13,126,956

(a) Outstanding debt as of March 1, 2020.

(b) Totals may not sum due to rounding.

Average Annual Requirement (2020–2045)........ $ 504,883
Maximum Annual Requirement (2039)........ $ 633,213

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Estimated Direct and Overlapping Debt Statement

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

Taxing Jurisdiction	Outstanding Debt January 31, 2020	Overlapping Percent	Overlapping Amount
Collin County	$ 392,565,000	0.26%	$ 1,026,246
Collin County Community College District	$ 239,445,000	0.26%	$ 613,394
McKinney Independent School District	$ 534,395,000	2.29%	$ 12,243,814
Total Estimated Overlapping Debt			$ 13,883,454
The District			$ 55,080,000 (a)
Total Direct & Estimated Overlapping Debt			$ 68,963,454 (a)

(a) Includes the Bonds.

Debt Ratios

	Percentage of 2019 Assessed Taxable Valuation	Percentage of Estimated Taxable Valuation as of February 11, 2020
Direct Debt (a)	14.08 %	12.00 %
Direct and Estimated Overlapping Debt (a)	17.63 %	15.02 %

(a) Includes the Bonds.

TAXING PROCEDURES

Authority to Levy Taxes

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

Property Tax Code and County-Wide Appraisal District

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

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 the 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 the County, including the District. Such appraisal values are subject to review and change by the Collin County Appraisal Review Board (the "Appraisal Review Board"). The appraisal roll as approved by the Appraisal Review Board must be used by the District in establishing its tax roll and tax rate. Under certain circumstances, taxpayers and taxing units may appeal orders of the Appraisal Review Board by timely filing a petition of review in the State of Texas District Court, where the value of the property will be determined.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by Texas law, all real property, tangible personal property held or used for the production of income, mobile homes, and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board of the District. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District's obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if requested, but only to the maximum extent of between $5,000 and $12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of 100% is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption also applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

The surviving spouse of a first responder who is killed or fatally injured in the line of duty is entitled to an exemption of the total appraised value of the surviving spouse's residence homestead if the surviving spouse has not remarried since the first responder's death, and said property was the first responder's residence homestead at the time of death. Such exemption is transferrable to a subsequent residence homestead of the surviving spouse, if the surviving spouse has not remarried, in an amount equal to the exemption received on the prior residence in the last year in which such exemption was received.

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, but not less than $5,000, if any exemption is granted, 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 District has never adopted a general homestead exemption, and to date, the District contains no residential homesteads.

Freeport Goods and Goods-in-Transit Exemption: A "Freeport Exemption" applies to goods, wares, ores, and merchandise other than oil, gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining petroleum or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating for less than 175 days. Although certain taxing units may take official action to tax such property in transit and negate such exemption, the District does not have such an option. A "Goods-in-Transit Exemption" may apply, for 2012 and subsequent tax years, to certain tangible personal property that is acquired in or imported into Texas for assembling, storing, manufacturing or fabrication purposes which is destined to be forwarded to another location in Texas not later than 175 days after acquisition or importation, so long as the location where said goods are detained is not directly or indirectly owned by the owner of the goods. The District has taken no action to allow taxation or exemptions of goods-in-transit, but may choose to take actions to allow such exemptions in the future. A taxpayer may not claim both a Freeport Goods Exemption and a Goods-in-Transit Exemption on the same property.

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, as such is defined in the Property Tax Code. The Texas Constitution limits 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 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 property in the Appraisal District at least once every three years. It is not known what frequency of reappraisals 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 to formally include such values on its appraisal roll.

When requested by a local taxing unit, such as the District, the Appraisal District is required to complete a reappraisal as soon as practicable of all property damaged in an area that the Governor of Texas (the "Governor") declares a disaster area. For reappraised property, the taxes are pro-rated for the year the disaster occurred. The taxing unit assesses taxes prior to the date the disaster occurred based upon market value as of January 1. Beginning on the date of the disaster and for the remainder of the year, the taxing unit applies its tax rate to the reappraised market value of the property. On November 5, 2019, a Constitutional Amendment was passed and individuals in an area declared to be a disaster area by the Governor may now apply for a temporary tax exemption for qualified property.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units (such as the District) may appeal orders of the Appraisal Review Board by filing a timely petition of 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 an 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 values, appraisals which are higher than renditions and appraisals of property not previously on an appraisal roll.

Rollback of Operation and Maintenance Tax Rate

Under current law, the qualified voters of the District have the right to petition for a rollback of the District's operation and maintenance tax rate only if the total tax bill on the average residence homestead increases by more than eight percent. If a rollback election is called and passes, the rollback tax rate is the current year's debt service and contract tax rates plus the operation and maintenance tax rate that would impose 1.08 times the amount of operation and maintenance tax imposed by the District in the preceding tax year on a residence homestead appraised at the average appraised value of a resident homestead in the District in that year, subject to certain homestead exemptions. Thus, debt service and contract tax rates cannot be changed by a rollback election.

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

SB 2 classifies municipal utility districts differently based on the current operation and maintenance tax rate or on the percentage of projected 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 herein as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all land, improvements and facilities necessary to serve at least 95% of the projected build-out of the district are classified as "Developed Districts." Districts that do not meet either of the classifications previously discussed can be classified herein as "Developing Districts." The impact each classification has on the ability of a district to increase its maintenance and operations tax rate pursuant to SB 2 is described for each classification below.

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board of Directors on an annual basis, beginning with the 2020 tax rate. 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture 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. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District 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 and not as to others. If a claimant receives the 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 such taxes for a period of three (3) years for agricultural use, timberland or open space land prior to the loss of the designation.

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of 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 20% penalty for collection costs. A delinquent tax on personal property incurs an additional 20% penalty, 60 days after the date the taxes become delinquent (April 1). 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.

Property owners affected by a disaster may pay property taxes in four equal installments following the disaster. In addition, certain classes of disabled veterans may receive a deferral or abatement of delinquent taxes without penalty during the time they own or occupy the property as their residential homestead.

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 "TAX DATA – Estimated Overlapping Taxes"). A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. Personal property under certain circumstances is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the District may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the District must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights or by bankruptcy proceeding which restrict the collection of taxpayer debts. See "INVESTMENT CONSIDERATIONS – General" and "Tax Collections and Foreclosure Remedies."

INVESTMENT CONSIDERATIONS

General

The System Bonds and the Road Bonds are obligations of the District and are not obligations of the State of Texas; the County; the City; or any other political subdivision and will be secured by two continuing, direct annual ad valorem property taxes, each without legal limitation as to rate or amount, on all taxable property located within the District (See "THE BONDS – Source of Payment"). The ultimate security for payment of principal of and interest on the Bonds depends on the ability of the District to collect from the property owners within the District all taxes levied against the property, or in the event of foreclosure, on the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The collection by the District of delinquent taxes owed to it and the enforcement by the Registered Owners of the District's obligation to collect sufficient taxes may be a costly and lengthy process. Furthermore, the District cannot and does not make any representations that continued development of property within the District will accumulate or maintain taxable values sufficient to justify continued payment by property owners or that there will be a market for the property. See "Registered Owners' Remedies" below.

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The rate of development within the District is directly related to the vitality of the residential housing industry in the County. New residential housing construction can be significantly affected by factors such as general economic activity, interest rates, credit availability, energy costs, construction costs, the level of unemployment and consumer demand. Decreased levels of such construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development in the District. See "DEVELOPMENT WITHIN THE DISTRICT."

Location and Access: The District is located entirely within the City's extraterritorial jurisdiction, about five (5) miles north of the City. The District is west of US 75 near the intersection of US 75 and FM 543. See "THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. Many of the other developments are generally accessible by the same commuter routes and served by the same employment centers, school districts and retail establishments causing the developments to compete with one another for the same pool of buyers at similar price points and amenity levels

The competitive position of the Developer in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developer will be implemented or, if implemented, will be successful.

Developer Under No Obligation to the District: The Developer has informed the District of its current plans to continue to develop land in the District for residential purposes. However, the Developer is not obligated to implement such plan on any particular schedule or at all. Thus, the furnishing of information related to the proposed development by the Developer should not be interpreted as such a commitment. The District makes no representation about the probability of development continuing in a timely manner or about the ability of the Developer, or any other subsequent landowners to whom a party 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 Developer. Failure to construct taxable improvements on developed lots and tracts and failure of the Developer to develop its land would restrict the rate of growth of taxable value in the District. The District is also dependent upon the Developer, as a principal landowner in the District, (see "TAX DATA – Principal Taxpayers") for the timely payment of ad valorem taxes, and the District cannot predict what the future financial condition of the Developer will be or what effect, if any, such conditions may have on its ability to pay taxes. See "DEVELOPER AND PRINCIPAL LANDOWNERS" and "DEVELOPMENT WITHIN THE DISTRICT."

Impact on District Tax Rates: Assuming no further development or construction of taxable improvements, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2019 assessed valuation of property located within the District is $391,169,757 and the estimated valuation as of February 11, 2020, is $459,000,000. See "TAX DATA."

After issuance of the System Bonds, the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds will be $3,187,175 (2040) and the average annual debt service requirement on the Outstanding System Bonds and the System Bonds will be $2,609,512 (2020–2045). Assuming no increase to, nor decrease from, the 2019 assessed valuation of $391,169,757, a tax rate of $0.86 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and a tax rate of $0.71 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the average annual debt service requirement on the Outstanding System Bonds and the System Bonds. Assuming no increase to, nor decrease from, the estimated valuation as of February 11, 2020, of $459,000,000, a tax rate of $0.74 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding System Bonds and the System Bonds, and a tax rate of $0.60 per $100 of assessed valuation at a

95% tax collection rate would be necessary to pay the average annual debt service requirement on the Outstanding System Bonds and the System Bonds.

After issuance of the Road Bonds, the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be $633,213 (2039) and the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds will be $504,883 (2020–2045). Assuming no increase to, nor decrease from, the 2019 assessed valuation of $391,169,757, a tax rate of $0.18 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and a tax rate of $0.14 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds. Assuming no increase to, nor decrease from, the estimated valuation as of February 11, 2020, of $459,000,000, a tax rate of $0.15 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement on the Outstanding Road Bonds and the Road Bonds, and a tax rate of $0.12 per $100 of assessed valuation at a 95% tax collection rate would be necessary to pay the average annual debt service requirement on the Outstanding Road Bonds and the Road Bonds.

Tax Collections and Foreclosure Remedies

The District has a right to seek judicial foreclosure on a tax lien, but such remedy may prove to be costly and time consuming and, since the future market or resale market, if any, of the taxable real property within the District is uncertain, there can be no assurance that such property could be sold and delinquent taxes paid. See “TAXING PROCEDURES.”

Limitation to Registered Owners' Remedies

In the event of default in the payment of principal of or interest on the Bonds, the registered owners of the Bonds (the “Registered Owners”) have the right to seek a writ of mandamus, requiring the District to levy adequate taxes each year to make such payments. Except for mandamus, the Bond Order does not specifically provide for remedies to protect and enforce the interest of the Registered Owners. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of the Registered Owners may be limited by laws relating to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Subject to the requirements of Texas law discussed below, a political subdivision such as the District may voluntarily file a petition for relief from creditors under Chapter 9 of the U.S. Bankruptcy Code, 11 USC sections 901-946. The filing of such petition would automatically stay the enforcement of Registered Owners' remedies, including mandamus and the foreclosure of tax liens upon property within the District discussed above. The automatic stay would remain in effect until the federal bankruptcy judge hearing the case 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 (1) is generally 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 has negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiations are impracticable. Under Texas law, a municipal utility district, such as the District, must obtain the approval of the TCEQ as a condition to seeking relief under the U.S. 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, a 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 determining the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owners could potentially and adversely impair the value of the Registered Owners' claims.

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

A municipal utility district cannot be placed into bankruptcy involuntarily.

Changes in Tax Legislation

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

The 2019 Legislative Session

The 86th Texas Legislature convened on January 8, 2019 and adjourned on May 27, 2019.

During the 86th Regular Legislative Session, the Texas Legislature passed SB 2, a law that materially changes ad valorem tax matters, including rollback elections for maintenance and operations tax increases, and other matters which may have an adverse impact on the District's operations and financial condition. SB 2 was signed into law by the Governor on June 12, 2019. See "TAXING PROCEDURES – Rollback of Operation and Maintenance Tax Rate."

Marketability

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

Continuing Compliance with Certain Covenants

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

Future Debt

The System Bonds are the fifth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the System. The Road Bonds are the fourth series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing the Road System. Voters in the District have authorized a total of $133,050,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $145,000,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities. After the issuance of the Bonds, the following amounts will remain authorized but unissued: $85,605,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the System; $199,575,000 principal amount of unlimited tax refunding bonds for the System; $135,710,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; $217,500,000 principal amount of unlimited tax refunding bonds for the Road System; $10,240,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing firefighting facilities; and $15,360,000 principal amount of unlimited tax refunding bonds for firefighting facilities.

The Bonds, when issued, will constitute legal, valid and binding obligations of the District, payable from the proceeds of two continuing, direct annual ad valorem taxes, each without legal limitation as to rate or amount, levied against all taxable property within the District. The District also has the right to issue certain other additional bonds, special projects bonds, and other obligations, as described in the Bond Order. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt/property valuation ratios and thereby adversely affect the investment quality or security of the Bonds. Pursuant to the Consent Agreement, the District and MUD 2 shall not issue more than an aggregate of $318,000,000 principal amount of bonds, plus a 3% annual increase on the amount of authorized but unissued bonds on each July 1 (excluding any refunding bonds), unless specifically approved by the City. After the issuance of the Bonds, the District and MUD 2 will have $295,830,553 remaining under such cap. See "CONSENT AGREEMENT WITH CITY."

Following issuance of the System Bonds, the District will owe the Developer approximately $49,000,000 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the System. Following issuance of the Road Bonds, the District will owe the Developer approximately $56,700,000 for the reimbursable expenditures that the Developer has advanced to date for the purpose of acquiring or constructing the Road System. See "THE SYSTEM" and "DEVELOPMENT WITHIN THE DISTRICT."

Approval of the Bonds

As required by law, engineering plans, specifications and estimates of construction costs for the facilities and services to be purchased or constructed by the District with the proceeds of the System Bonds have been approved, subject to certain conditions, by the TCEQ. See "USE AND DISTRIBUTION OF SYSTEM BOND PROCEEDS." The issuance of the Road Bonds does not require TCEQ approval. In addition, the Attorney General of Texas must approve the legality of the System Bonds and the Road Bonds prior to their delivery.

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

Consolidation

Under Texas law, the District may be consolidated with other municipal utility districts, with the assets and liabilities of the consolidated districts belonging to the consolidated district. No representation is made that the District will ever consolidate with one or more other districts, although no consolidation is presently contemplated by the District.

Tax Collection Limitations

The District's ability to make debt service payments may be adversely affected by difficulties in collecting 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 state and 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 proceedings against a taxpayer; (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property; or (d) the taxpayer's right to redeem the property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. See "TAXING PROCEDURES."

Environmental Regulations

Air Quality Issues: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and the TCEQ may impact new industrial, commercial and residential development in the District and surrounding area. Under the Clean Air Act ("CAA") Amendments of 1990, the Dallas-Fort Worth area ("DFW Area")— Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and

Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While the State of Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to "attainment" for the 1997 Ozone Standards, which would terminate the serious nonattainment area "anti-backsliding" requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

On August 23, 2019, the EPA published final notice reclassifying the DFW Area from "moderate" to "serious" under the 2008 Ozone Standard, effective September 23, 2019. As the DFW Area is now designated a "serious" nonattainment area, it must meet the attainment date of July 20, 2021 and the required attainment or implementation deadlines for reasonable further progress ("RFP Date"), including, for nitrogen oxides sources and for volatile organic compounds, the RFP Date of August 3, 2020. If the EPA ultimately determines that the DFW Area continues to fail to meet air quality standards based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The DFW Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the DFW Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the DFW Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the DFW Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the DFW Area's economic growth and development.

Infectious Disease Outbreak – COVID-19

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States.

On March 13, 2020, the Governor declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on March 19, 2020 of Executive Order GA-08 which, among other things, imposed limitations on social gatherings of more than 10 people and temporarily closed school districts throughout the state through April 3, 2020, unless otherwise extended, modified, rescinded, or superseded by the Governor. In addition to the actions by the state and federal officials, certain local officials have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and ad valorem tax revenues within the District. See "TAXING PROCEDURES." The Bonds are secured by an ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the District's operations and maintenance expenses.

While the potential impact of the Pandemic on the District cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the District's operations and financial condition.

Potential Impact of Natural Disaster

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

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

Bond Insurance Risk Factors

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

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

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

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

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

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

Specific Flood Type Risks

The District may be subject to the following flood risks:

Ponding (or Pluvial) Flood

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

Riverine (or Fluvial) Flood

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

Reappraisal of Property

On November 5, 2019, a Constitutional amendment, effective January 1, 2020, passed and the prior process that gave local taxing jurisdictions the option to request a reappraisal following a disaster was repealed and replaced with an exemption for qualified property that is in a Governor-declared disaster area and at least 15% damaged. Qualified property includes tangible personal property, improvements to real property, and manufactured homes. Eligible individuals must apply within a specified time frame and, if the disaster occurs after taxes are levied, the taxing unit must take action to authorize the exemption. The amount of the exemption is determined by the percentage level of damage and is prorated based on the date of the disaster. An appraisal district, such as the Appraisal District, must perform a damage assessment and assign a percentage rating to determine the amount of the exemption. Any exemption granted under the new provisions expires the first year the property is reappraised.

LEGAL MATTERS

Legal Proceedings

Delivery of the Bonds will be accompanied by the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the District under the Constitution and laws of the State of Texas payable from the proceeds of an annual ad valorem property tax levied, 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 Bond Counsel, to a like effect, and to the effect that interest on the Bonds is excludable from gross income, as defined in Section 61 of the Internal Revenue Code of 1986, as amended (the "Code") of the holders for federal tax purposes under existing law, statutes, regulations, published rulings, and court decisions and interest on the Bonds is not subject to the alternative minimum tax.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions "THE DISTRICT - General," "THE BONDS (except under the subheading "Registered Owner's Remedies)," "TAXING PROCEDURES," "LEGAL MATTERS – Legal Proceedings," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION," solely to determine whether such information fairly summarizes matters of law and 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 or Developer 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.

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

No-Litigation Certificate

The District will furnish to the initial purchaser of the System Bonds (the "System Bond Initial Purchaser") and the initial purchaser of the Road Bonds (the "Road Bond Initial Purchaser," and together with the System Bond Initial Purchaser, the "Initial Purchaser") a certificate, dated as of the date of delivery of the Bonds, executed by both the President or Vice President and Secretary or Assistant Secretary of the Board, to the effect that no litigation of any nature has been filed or is to their knowledge then pending or threatened, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

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

TAX MATTERS

The delivery of Bonds is subject to an opinion of Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel, to the effect that, assuming continuing compliance by the District with the provisions of the Bond Order subsequent to the issuance of the Bonds pursuant to Section 103 of the Code, and existing regulations, published rulings and court decision procedures, interest on the bonds (i) will be excludable from the income, as defined in Section 61 of the Code, of the owners thereof for federal income tax purposes and (ii) is not a specific preference item for purposes of the federal alternative minimum tax. The statutes, regulations, published rulings, and court decisions on which such opinion is based are subject to change.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Bonds. The District has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Bonds may adversely affect the value of, or the tax status of interest on, the Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Bonds may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel is expected to express no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the District or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The District has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Bonds ends with the issuance of the Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the District or Beneficial Owners regarding the tax-exempt status of the Bonds in the event of an audit examination by the IRS. Under current procedures, parties other than the District and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the District legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Bonds, and may cause the District or Beneficial Owners to incur significant expense.

Possible Tax Legislation

If enacted, potential tax legislation, administrative actions taken by tax authorities, and court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or state income taxation, or otherwise prevent the Beneficial Owners from realizing the full current benefit of the tax status of such interest. For example, future legislation to resolve certain federal budgetary issues may significantly reduce the benefit of, or otherwise affect, the exclusion from gross income for federal income tax purposes of interest on all state and local obligations, including the Bonds. In addition, such legislation or actions (whether currently proposed, proposed in the future or enacted) could affect the market price or marketability of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, and its impact on their individual situations, as to which Bond Counsel expresses no opinion.

Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

NOT Qualified Tax-Exempt Obligations

The District has NOT designated the Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b) of the Code due to the fact that the reasonably anticipated amount of tax-exempt obligations which will be issued by the District during the calendar year 2020, including the Bonds, will exceed $10,000,000.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made the following covenants for the benefit of the holders of the Bonds. The District is required to observe these covenants for so long as it remains obligated to pay the Bonds. Pursuant to these covenants, the District will be obligated to provide certain updated financial information and operating data annually, as well as timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") or any successor to its function as a repository, through its Electronic Municipal Market Access ("EMMA") system, available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually.

The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT," "TAX DATA" and "APPENDIX A." The District will update and provide this information within six months after the end of each of its fiscal years.

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") of the Securities Exchange Act. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A" or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

The District will provide timely notices of certain specified 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 IRS 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, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of the Rule; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule, the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, or the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or source of payment for, an existing or planned debt obligation of the District, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the District, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the District, any of which reflect financial difficulties. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which an official statement has been provided to the MSRB consistent with 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 Order makes any provision for debt service reserves or liquidity enhancement. In addition, the District will provide timely notice of any failure by the District to provide financial information, operating data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

The District has agreed to provide the foregoing notices to the MSRB. The District is required to file its continuing disclosure information using EMMA, which is the format currently prescribed by the MSRB and has been established by the MSRB to make such continuing disclosure information available to investors free of charge. Investors may access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Limitations and Amendments

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

The Developer has agreed to provide to the District the information that the District has agreed to provide with respect to the Developer. The Developer has also agreed with the District that it will not assign any of its rights to receive payment from the District out of proceeds of the Bonds (except as collateral), unless the assignee assumes the Developer's agreement to provide such information, but the Developer may sell its property within the District without any such assumption. The District's ability to provide information about the Developer or others, as well as the accuracy and completeness of such information, is completely dependent on such persons' compliance with their contractual agreements with the District.

The District may amend its continuing disclosure agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District or Developer, but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent 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 Beneficial Owners. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District has entered into continuing disclosure agreements in connection with the issuance of the Outstanding System Bonds and the Outstanding Road Bonds. In the last five years the District has complied in all material respects with such agreements and the Rule.

OFFICIAL STATEMENT

Preparation

The information in this Official Statement has been obtained from sources as set forth herein under the following captions: information found under the sections captioned "THE DISTRICT" and "THE SYSTEM" have been provided by the Engineer; information found under the sections captioned "DEVELOPER AND PRINCIPAL LANDOWNER" and "DEVELOPMENT WITHIN THE DISTRICT" has been provided by the Developer; information found under the section captioned "TAX DATA" has been provided by Utility Tax Services, Inc. and Collin Central Appraisal District; and information found under the sections captioned "THE BONDS," "DEVELOPMENT AGREEMENT WITH CITY," "CONSENT AGREEMENT WITH CITY," "STRATEGIC PARTNERSHIP AGREEMENT WITH CITY," "CONTINUING DISCLOSURE OF INFORMATION", "TAXING PROCEDURES," "LEGAL MATTERS," and "TAX MATTERS" has been provided by Sanford Kuhl Hagan Kugle Parker Kahn LLP, Houston, Texas, Bond Counsel.

Experts

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

The Engineer: The information contained in the Official Statement relating to engineering matters and to the description of the System and, in particular, the information included in the sections entitled "THE DISTRICT" and "THE 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.

Tax Assessor/Collector and Appraisal District: The information contained in the Official Statement relating to principal taxpayers and tax collection rates and the certified assessed valuation of property in the District and, in particular such information contained in the sections captioned "TAX DATA," has been provided by the Utility Tax Services, Inc. and Collin Central Appraisal District, in reliance upon their authority as experts in the fields of property appraisal and tax assessment.

Auditor

The District's audited financial statements for the year ended March 31, 2019, were prepared by McGrath & Co., P.L.L.C., Certified Public Accountant, Houston, Texas, and have been included herein as "APPENDIX A." McGrath & Co., P.L.L.C., Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Certification as to Official Statement

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

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Updating of 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 Purchaser, of any adverse event which causes the Official Statement to be materially misleading, and unless the Initial Purchaser elects to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Initial Purchaser an appropriate amendment or supplement to the Official Statement satisfactory to the Initial Purchaser; 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 Purchaser, unless the Initial Purchaser notifies the District on or before such date that less than all of the Bonds have been sold to ultimate customers, in which case the District's obligations hereunder will extend for an additional period of time (but not more than 90 days after the date the District delivers the Bonds) until all of the Bonds have been sold to ultimate customers.

This Official Statement was approved by the Board of Directors of McKinney Municipal Utility District No. 1 of Collin County, as of the date shown on the cover.

/s/ Ryan Rosa
President, Board of Directors
McKinney Municipal Utility District No. 1 of Collin County

ATTEST:

/s/ Jeremy Dorenkamp
Secretary, Board of Directors
McKinney Municipal Utility District No. 1 of Collin County

APPENDIX A

FINANCIAL STATEMENTS OF THE DISTRICT

MCKINNEY MUNICIPAL UTILITY DISTRICT NO. 1 of COLLIN COUNTY

COLLIN COUNTY, TEXAS

FINANCIAL REPORT

March 31, 2019

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McGRATH & CO., PLLC
Certified Public Accountants
2500 Tanglewilde, Suite 340
Houston, Texas 77063

Independent Auditors' Report

Board of Directors
McKinney Municipal Utility District No. 1 of Collin County
Collin County, Texas

We have audited the accompanying financial statements of the governmental activities and each major fund of McKinney Municipal Utility District No. 1 of Collin County, as of and for the year ended March 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient to provide a basis for our audit opinions.

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Board of Directors
McKinney Municipal Utility District No. 1 of Collin County
Collin County, Texas

Opinion

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 McKinney Municipal Utility District No. 1 of Collin County, as of March 31, 2019, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it 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.

Other Information

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

McGrath & Co, PLLC

Houston, Texas
August 7, 2019

Management's Discussion and Analysis

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Using this Annual Report

Within this section of the financial report of McKinney Municipal Utility District No. 1 of Collin County (the "District"), the District's Board of Directors provides a narrative discussion and analysis of the financial activities of the District for the fiscal year ended March 31, 2019. This analysis should be read in conjunction with the independent auditors' report and the basic financial statements that follow this section.

In addition to this discussion and analysis, this annual report consists of:

- The District's basic financial statements;
- Notes to the basic financial statements, which provide additional information essential to a full understanding of the data provided in the financial statements;
- Supplementary information required by the Governmental Accounting Standards Board (GASB) concerning the District's budget; and
- Other Texas supplementary information required by the District's state oversight agency, the Texas Commission on Environmental Quality (TCEQ).

Overview of the Financial Statements

The District prepares its basic financial statements using a format that combines fund financial statements and government-wide statements onto one financial statement. The combined statements are the *Statement of Net Position and Governmental Funds Balance Sheet* and the *Statement of Activities and Governmental Funds Revenues*, *Expenditures and Changes in Fund Balances*. Each statement contains an adjustments column which quantifies the differences between the government-wide and fund level statements. Additional details of the adjustments are provided in Note 2 to the basic financial statements.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District, both long-term and short-term. The District's government-wide financial statements consist of the *Statement of Net Position* and the *Statement of Activities*, which are prepared using the accrual basis of accounting. The *Statement of Net Position* includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the residual reported as net position. Over time, changes in net position may provide a useful indicator of whether the financial position of the District as a whole is improving or deteriorating.

Accounting standards establish three components of net position. The net investment in capital assets component represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The restricted component of net position consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties. The unrestricted component of net position represents resources not included in the other components.

The *Statement of Activities* reports how the District's net position has changed during the fiscal year. All revenues and expenses are included on this statement, regardless of whether cash has been received or paid.

Fund Financial Statements

The fund financial statements include the *Governmental Funds Balance Sheet* and the *Governmental Funds Revenues, Expenditures and Changes in Fund Balances*. The focus of fund financial statements is on specific activities of the District rather than the District as a whole, reported using modified accrual accounting. These statements report on the District's use of available financial resources and the balances of available financial resources at the end of the year. Except for the General Fund, a specific fund is established to satisfy managerial control over resources or to satisfy finance-related legal requirements established by external parties, governmental statutes or regulations.

For further discussion on the government-wide and fund financial statements, please refer to Note 1 in the financial statements.

Financial Analysis of the District as a Whole

The District's net position at March 31, 2019, was negative $46,187,498. The District's net position is negative because the District incurs debt to construct water, sewer and certain drainage facilities which it conveys to the City of McKinney. A comparative summary of the District's overall financial position, as of March 31, 2019 and 2018, is as follows:

	2019	2018
Current and other assets	$ 5,338,001	$ 4,191,778
Capital assets	31,663,536	20,443,012
Total assets	37,001,537	24,634,790
Current liabilities	7,595,669	6,068,618
Long-term liabilities	75,593,366	58,674,648
Total liabilities	83,189,035	64,743,266
Net position		
Net investment in capital assets	(5,727,720)	(3,764,056)
Restricted	2,626,278	2,365,986
Unrestricted	(43,086,056)	(38,710,406)
Total net position	$ (46,187,498)	$ (40,108,476)

The total net position of the District decreased during the current fiscal year by $6,079,022. A comparative summary of the District's *Statement of Activities* for the past two years is as follows:

	2019	2018
Revenues		
Property taxes	$ 3,296,377	$ 2,476,084
Builder contributions	361,000	264,000
Other	190,346	120,962
Total revenues	3,847,723	2,861,046
Expenses		
Operating and administrative	613,333	447,381
Intergovernmental	374,774	237,489
Debt interest and fees	1,479,624	1,127,442
Developer interest	616,755	87,527
Debt issuance costs	932,834	122,957
Depreciation/amortization	1,007,487	652,380
Total expenses	5,024,807	2,675,176
Change in net position before other item	(1,177,084)	185,870
Other item		
Transfers to other governments	(4,901,938)	(3,981,905)
Change in net position	(6,079,022)	(3,796,035)
Net position, beginning of year	(40,108,476)	(36,312,441)
Net position, end of year	$ (46,187,498)	$ (40,108,476)

Financial Analysis of the District's Funds

The District's combined fund balances, as of March 31, 2019, were $5,103,281, which consists of $2,326,746 in the General Fund, $2,731,267 in the Debt Service Fund, $45,258 in the Internal District Capital Projects Fund, and $10 in the Master District Capital Projects Fund.

General Fund

A comparative summary of the General Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 2,459,671	$ 1,666,618
Total liabilities	$ 88,885	$ 51,630
Total deferred inflows	44,040	27,956
Total fund balance	2,326,746	1,587,032
Total liabilities, deferred inflows and fund balance	$ 2,459,671	$ 1,666,618

A comparative summary of the General Fund's activities for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ 1,609,609	$ 929,891
Total expenditures	(869,895)	(937,231)
Revenues over/(under) expenditures	$ 739,714	$ (7,340)

The District manages its activities with the objectives of ensuring that expenditures will be adequately covered by revenues each year and that an adequate fund balance is maintained. The District's primary financial resources in the General Fund are from a property tax levy and builder contributions charged to homebuilders in the District. Financial resources are influenced by a variety of factors each year:

- Property tax revenues are dependent upon assessed values in the District and the maintenance tax rate set by the District. Property tax revenues increased from prior year because the District increased the maintenance and operations component of the levy and because assessed values increased from prior year.
- Builder contributions fluctuate with homebuilding activity within the District.

Debt Service Fund

A comparative summary of the Debt Service Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 2,833,062	$ 2,512,974
Total liabilities	$ 35	$ -
Total deferred inflows	101,760	97,896
Total fund balance	2,731,267	2,415,078
Total liabilities, deferred inflows and fund balance	$ 2,833,062	$ 2,512,974

A comparative summary of the Debt Service Fund's activities for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ 2,218,165	$ 1,860,220
Total expenditures	(2,062,279)	(1,086,798)
Revenues over expenditures	155,886	773,422
Other changes in fund balance	160,303	
Net change in fund balance	$ 316,189	$ 773,422

The District's financial resources in the Debt Service Fund in both the current year and prior year are from property tax revenues. During the current year, financial resources also included capitalized interest from the sale of bonds. The difference between these financial resources and debt service requirements resulted in changes in fund balance each year. It is important to note that the District sets its annual debt service tax rate as recommended by its financial advisor, who monitors projected cash flows in the Debt Service Fund to ensure that the District will be able to meet its future debt service requirements.

Internal District Capital Projects Fund

The Internal District Capital Projects Fund is used to account for the expenditure of bond proceeds for the construction of the Internal District's water, sewer, drainage and road facilities. A comparative summary of the Internal District Capital Projects Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 45,258	$ 12,176
Total liabilities	$ -	$ 15,000
Total fund balance	45,258	(2,824)
Total liabilities and fund balance	$ 45,258	$ 12,176

A comparative summary of activities in the Internal District Capital Projects Fund for the current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ -	$ -
Total expenditures	(10,396,615)	(5,640,690)
Revenues under expenditures	(10,396,615)	(5,640,690)
Other changes in fund balance	10,444,697	5,160,000
Net change in fund balance	$ 48,082	$ (480,690)

The District has had considerable capital asset activity in the last two years. During the current year, capital asset activity was financed with proceeds from the issuance of its $8,380,000 Series 2018 Unlimited Tax Bonds, $1,045,000 Series 2018A Unlimited Tax Road Bonds, and $6,340,000 Series 2018 Bond Anticipation Note. During the previous fiscal year, capital asset activity was financed with proceeds from the issuance of its $5,160,000 Series 2017 Bond Anticipation Note.

Master District Capital Projects Fund

The Master District Capital Projects Fund is used to account for the expenditure of Master District connection charges to reimburse its developer for the cost of regional facilities constructed within the Trinity Falls master-planned community (see Note 14).

A comparative summary of the Master District Capital Projects Fund's financial position as of March 31, 2019 and 2018 is as follows:

	2019	2018
Total assets	$ 10	$ 10
Total fund balance	$ 10	$ 10

A comparative summary of activities for the Master District Capital Projects Fund's current and prior fiscal year is as follows:

	2019	2018
Total revenues	$ -	$ -
Total expenditures	(2,450,110)	(368,913)
Revenues under expenditures	(2,450,110)	(368,913)
Other changes in fund balance	2,450,110	368,913
Net change in fund balance	$ -	$ -

General Fund Budgetary Highlights

The Board of Directors adopts an annual unappropriated budget for the General Fund prior to the beginning of each fiscal year. The Board amended the budget during the year to reflect changes in anticipated revenues and expenditures.

Since the District's budget is primarily a planning tool, actual results varied from the budgeted amounts. Actual net change in fund balance was $340,034 greater than budgeted. The *Budgetary Comparison Schedule* on page 36 of this report provides variance information per financial statement line item.

Capital Assets

The District has entered into financing agreements with its developer for the financing of the construction of capital assets within the District. The developer will be reimbursed from proceeds of future bond issues or other lawfully available funds. These developer-funded capital assets are recorded on the District's financial statements upon completion of construction.

The District, in its capacity as a participating district and its capacity as Master District, and the City of McKinney (the "City") have entered into an agreement which obligates the District to construct water, wastewater and certain drainage facilities to serve the District and the Master District service area and, when completed, to convey title to the facilities to the City.

For the year ended March 31, 2019, facilities in the amount of $4,901,938 have been completed and recorded as transfers to other governments in the government-wide statements. Additional information is presented in Note 13.

The District, in its capacity as a Master District, is responsible for construction regional water, sanitary sewer, storm sewer, roads, and fire protection facilities to serve the entire Trinity Falls master-planned community. The District, in its capacity as a participating district, is responsible for constructing facilities to serve the area within its internal boundaries. See additional information in Note 14.

Capital assets held by the District at March 31, 2019 and 2018 are summarized as follows:

	2019	2018
Capital assets being depreciated/amortized		
Regional Facilities		
Drainage	$ 1,454,801	$ 1,508,285
Roads	4,570,753	3,420,630
Internal Facilities		
Drainage	10,959,104	6,181,272
Roads	17,377,922	11,024,382
	34,362,580	22,134,569
Less accumulated depreciation/amortization		
Regional Facilities		
Drainage	(134,401)	(102,072)
Roads	(582,403)	(430,045)
Internal Facilities		
Drainage	(510,331)	(266,795)
Roads	(1,471,909)	(892,645)
	(2,699,044)	(1,691,557)
Capital assets, net	$ 31,663,536	$ 20,443,012

Capital asset additions during the current year include the following:

- Drainage and road facilities to serve Planning Unit No. 3, Phases 1 and 2
- Drainage and road facilities to serve Parkway Extension, Phases 1 and 2
- Drainage facilities to serve Planning Unit No. 3, Package No. 2, Phase 2A

Long-Term Debt and Related Liabilities

As of March 31, 2019, the District owes $39,789,694 to its developer for completed projects. As discussed in Note 7, the District has an additional commitment in the amount of $15,908,367 for projects under construction by the developer. As previously mentioned, the District will owe its developer for these projects upon completion of construction, at which time the cost of the capital asset and related liability will be estimated and recorded on the District's financial statements. The District intends to reimburse the developer from proceeds of future bond issues or other lawfully available funds. The estimated cost is trued up when the developer is reimbursed.

At March 31, 2019 and 2018, the District had total bonded debt outstanding as shown below:

Series	2019	2018
2015	$ 7,880,000	$ 8,070,000
2016 Road	5,585,000	5,730,000
2017	13,110,000	13,435,000
2017A Road	1,415,000	1,450,000
2018	8,380,000	
2018A Road	1,045,000	
	$ 37,415,000	$ 28,685,000

During the year, the District issued $8,380,000 in unlimited tax bonds for water, sewer, and drainage facilities and $1,045,000 in unlimited tax road bonds. At March 31, 2019, the District had $103,165,000 unlimited tax bonds authorized, but unissued for the purposes of acquiring, constructing and improving the water, sanitary sewer and drainage systems within the District; $10,240,000 for fire protection facilities; $136,775,000 for road improvements; $199,575,000 for refunding bonds for water, sewer, and drainage facilities; $15,360,000 for refunding bonds for fire protection facilities; and $217,500,000 for refunding bonds for road improvements.

During the year, the District issued a $6,340,000 bond anticipation note (BAN) to provide short term financing for developer reimbursements. The District intends to repay the BAN with proceeds from the issuance of long-term debt. See Note 6 for additional information.

Next Year's Budget

In establishing the budget for the next fiscal year, the Board considered various economic factors that may affect the District, most notably projected revenues from property taxes, builder contributions, and the projected cost of operating the District. A comparison of next year's budget to current year actual amounts for the General Fund is as follows:

	2019 Actual	2020 Budget
Total revenues	$ 1,609,609	$ 1,955,127
Total expenditures	(869,895)	(2,072,664)
Revenues over/(under) expenditures	739,714	(117,537)
Beginning fund balance	1,587,032	2,326,746
Ending fund balance	$ 2,326,746	$ 2,209,209

Property Taxes

The District's property tax base increased approximately $83,195,364 for the 2019 tax year from $313,977,698 to $397,173,062, based on preliminary values. This increase was primarily due to new construction in the District and increased property values.

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Basic Financial Statements

McKinney Municipal Utility District No. 1 of Collin County
Statement of Net Position and Governmental Funds Balance Sheet
March 31, 2019

	General Fund	Debt Service Fund	Internal District Capital Projects Fund	Master District Capital Projects Fund	Total
Assets					
Cash	$ 1,496,268	$ 485,551	$ 95,258	$ 10	$ 2,077,087
Investments	595,000	2,245,000			2,840,000
Taxes receivable	44,040	101,760			145,800
Customer service receivables	4,806				4,806
Builder contribution receivables	122,000				122,000
Due from other governments	124,227				124,227
Internal balances	56,895	(6,895)	(50,000)		
Other receivables	3,788	7,646			11,434
Prepaid items	12,647				12,647
Capital assets, net					
Total Assets	$ 2,459,671	$ 2,833,062	$ 45,258	$ 10	$ 5,338,001
Liabilities					
Accounts payable	$ 86,385	$ 35	$ -	$ -	$ 86,420
Other payables	2,500				2,500
Accrued interest payable					
Bond anticipation note payable					
Due to developers					
Long-term debt					
Due within one year					
Due after one year					
Total Liabilities	88,885	35			88,920
Deferred Inflows of Resources					
Deferred property taxes	44,040	101,760			145,800
Fund Balances/Net Position					
Fund Balances					
Nonspendable	12,647				12,647
Restricted		2,731,267	45,258	10	2,776,535
Unassigned	2,314,099				2,314,099
Total Fund Balances	2,326,746	2,731,267	45,258	10	5,103,281
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 2,459,671	$ 2,833,062	$ 45,258	$ 10	$ 5,338,001
Net Position					
Net investment in capital assets					
Restricted for debt service					
Unrestricted					
Total Net Position					

See notes to basic financial statements.

Adjustments	Statement of Net Position
$ -	$ 2,077,087
	2,840,000
	145,800
	4,806
	122,000
	124,227
	11,434
	12,647
31,663,536	31,663,536
31,663,536	37,001,537
	86,420
	2,500
206,749	206,749
6,340,000	6,340,000
39,789,694	39,789,694
960,000	960,000
35,803,672	35,803,672
83,100,115	83,189,035
(145,800)	
(12,647)	
(2,776,535)	
(2,314,099)	
(5,103,281)	
(5,727,720)	(5,727,720)
2,626,278	2,626,278
(43,086,056)	(43,086,056)
$ (46,187,498)	$ (46,187,498)

McKinney Municipal Utility District No. 1 of Collin County
Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances
For the Year Ended March 31, 2019

	General Fund	Debt Service Fund	Internal District Capital Projects Fund	Master District Capital Projects Fund	Total
Revenues					
Water service	$ 11,782	$ -	$ -	$ -	$ 11,782
Garbage service	49,097				49,097
Property taxes	1,113,392	2,164,679			3,278,071
Builder contributions	361,000				361,000
Penalties and interest		23,835			23,835
Franchise fees	54,682				54,682
Investment earnings	19,656	29,651			49,307
Total Revenues	1,609,609	2,218,165			3,827,774
Expenditures/Expenses					
Operating and administrative					
Professional fees	204,045	6,146	73,750		283,941
Contracted services	64,795	32,100			96,895
Repairs and maintenance	143,241				143,241
Utilities	24,712				24,712
Regional Water Authority fees	2,328				2,328
Administrative	30,316	6,216			36,532
Condemnation fees	25,684				25,684
Intergovernmental					
City park fee	59,938				59,938
Fire service fee	314,836				314,836
Capital outlay					
Connection charges			2,450,110		2,450,110
Developer reimbursements			6,254,961	2,450,110	8,705,071
Debt service					
Principal		695,000			695,000
Interest and fees		1,322,817	68,205		1,391,022
Developer interest			616,755		616,755
Debt issuance costs			932,834		932,834
Depreciation/amortization					
Total Expenditures/Expenses	869,895	2,062,279	10,396,615	2,450,110	15,778,899
Revenues Over/(Under) Expenditures/Expenses	739,714	155,886	(10,396,615)	(2,450,110)	(11,951,125)
Other Financing Sources					
Proceeds from sale of bonds		160,303	9,264,697		9,425,000
Repayment of bond anticipation note			(5,160,000)		(5,160,000)
Bond anticipation note proceeds			6,340,000		6,340,000
Connection charges				2,450,110	2,450,110
Other Items					
Transfers to other governments					
Net Change in Fund Balances	739,714	316,189	48,082		1,103,985
Change in Net Position					
Fund Balance/Net Position					
Beginning of the year	1,587,032	2,415,078	(2,824)	10	3,999,296
End of the year	$ 2,326,746	$ 2,731,267	$ 45,258	$ 10	$ 5,103,281

See notes to basic financial statements.

Adjustments	Statement of Activities
$ -	$ 11,782
	49,097
18,306	3,296,377
	361,000
1,643	25,478
	54,682
	49,307
19,949	3,847,723
	283,941
	96,895
	143,241
	24,712
	2,328
	36,532
	25,684
	59,938
	314,836
(2,450,110)	
(8,705,071)	
(695,000)	
88,602	1,479,624
	616,755
	932,834
1,007,487	1,007,487
(10,754,092)	5,024,807
10,774,041	(1,177,084)
(9,425,000)	
5,160,000	
(6,340,000)	
(2,450,110)	
(4,901,938)	(4,901,938)
(1,103,985)	
(6,079,022)	(6,079,022)
(44,107,772)	(40,108,476)
$ (51,290,779)	$ (46,187,498)

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Note 1 – Summary of Significant Accounting Policies

The accounting policies of McKinney Municipal Utility District No. 1 of Collin County (the "District") conform with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board. The following is a summary of the most significant policies:

Creation

The District was organized, created and established by House Bill 3979, 80th Regular Session of the Texas Legislature, codified at Chapter 8223, Texas Special District Local Laws Code, effective September 1, 2007, and operates in accordance with the Texas Water Code, Chapters 49 and 54. The Board of Directors held its first meeting on March 5, 2010 and the first bonds were sold on September 16, 2015.

The District's primary activities include construction of water, sewer, drainage and fire protection facilities and road improvements within the boundaries of the District, as well as the construction of similar facilities and a fire station for the Trinity Falls master-planned community ("Master District Service Area") pursuant to the Master District Contract discussed in Note 14. As further discussed in Note 13, the District transfers the water, sewer, and certain drainage facilities to the City of McKinney upon completion of construction. The District has contracted with various consultants to provide services to operate and administer the affairs of the District. The District has no employees, related payroll or pension costs.

Reporting Entity

The District is a political subdivision of the State of Texas governed by an elected five-member board. The Governmental Accounting Standards Board has established the criteria for determining whether or not an entity is a primary government, a component unit of a primary government or a related organization. A primary government has a separately elected governing body; is legally separate; and is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District's financial statements as component units.

Government-Wide and Fund Financial Statements

Government-wide financial statements display information about the District as a whole. These statements focus on the sustainability of the District as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. Interfund activity, if any, has been removed from these statements. These aggregated statements consist of the *Statement of Net Position* and the *Statement of Activities*.

Note 1 – Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Fund financial statements display information at the individual fund level. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for a specific purpose. Each fund is considered to be a separate accounting entity. Most governments typically have many funds; however, governmental financial statements focus on the most important or "major" funds with non-major funds aggregated in a single column. The District has four governmental funds, which are all considered major funds.

The following is a description of the various funds used by the District:

- The General Fund is used to account for the operations of the District and all other financial transactions not reported in other funds. The principal sources of revenue are property taxes and builder contributions. Expenditures include costs associated with the daily operations of the District.
- The Debt Service Fund is used to account for the payment of interest and principal on the District's general long-term debt. The primary source of revenue for debt service is property taxes. Expenditures include costs incurred in assessing and collecting these taxes.
- The Internal District Capital Projects Fund is used to account for the expenditures of bond proceeds for the construction of the Internal District's water, sewer, drainage ad road facilities. See Note 14.
- The Master District Capital Projects Fund is used to account for the expenditures of connection charges for the construction of regional water, sanitary sewer, storm sewer, roads, and fire protection facilities to serve the entire Trinity Falls master-planned community. See Note 14.

As a special-purpose government engaged in a single governmental program, the District has opted to combine its government-wide and fund financial statements in a columnar format showing an adjustments column for reconciling items between the two.

Measurement Focus and Basis of Accounting

The government-wide financial statements use 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 revenue in the year for which they are levied.

Note 1 – Summary of Significant Accounting Policies (continued)

Measurement Focus and Basis of Accounting (continued)

The fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes both available and measurable to finance expenditures of the current period. For this purpose, the government considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Revenues susceptible to accrual include builder contributions, property taxes, interest earned on investments and income from District operations. Property taxes receivable at the end of the fiscal year are treated as deferred inflows because they are not considered available to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for unmatured interest on long-term debt, which is recognized when due.

Note 2 further details the adjustments from the governmental fund presentation to the government-wide presentation.

Use of Restricted Resources

When both restricted and unrestricted resources are available for use, the District uses restricted resources first, then unrestricted resources as they are needed.

Prepaid Items

Certain payments made by the District reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Receivables from and payables to external parties are reported separately and are not offset, unless a legal right of offset exists. At March 31, 2019, an allowance for uncollectible accounts was not considered necessary.

Interfund Activity

During the course of operations, transactions occur between individual funds. This can include internal transfers, payables and receivables. This activity is combined as internal balances and is eliminated in both the government-wide and fund financial statement presentation.

Note 1 – Summary of Significant Accounting Policies (continued)

Capital Assets

Capital assets do not provide financial resources at the fund level, and, therefore, are reported only in the government-wide statements. The District defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at acquisition value, which is the price that would be paid to acquire the asset on the acquisition date. The District has not capitalized interest incurred during the construction of its capital assets. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciable capital assets, which primarily consist of roads and drainage facilities to serve the District's Regional and Internal Facilities, are depreciated (or amortized in the case of intangible assets) using the straight-line method as follows:

Assets	Useful Life
Roads	30 years
Drainage	45 years

Deferred Inflows and Outflows of Financial Resources

A deferred inflow of financial resources is the acquisition of resources in one period that is applicable to a future period, while a deferred outflow of financial resources is the consumption of financial resources in one period that is applicable to a future period. A deferred inflow results from the acquisition of an asset without a corresponding revenue or assumption of a liability. A deferred outflow results from the use of an asset without a corresponding expenditure or reduction of a liability.

At the fund level, property taxes receivable not collected within 60 days of fiscal year end do not meet the availability criteria required for revenue recognition and are recorded as deferred inflows of financial resources.

Net Position – Governmental Activities

Governmental accounting standards establish the following three components of net position:

Net investment in capital assets – represents the District's investments in capital assets, less any outstanding debt or other borrowings used to acquire those assets.

Restricted – consists of financial resources that are restricted for a specific purpose by enabling legislation or external parties.

Unrestricted – resources not included in the other components.

Note 1 – Summary of Significant Accounting Policies (continued)

Fund Balances – Governmental Funds

Governmental accounting standards establish the following fund balance classifications:

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. The District's nonspendable fund balance consists of prepaid items.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The District's restricted fund balances consist of unspent connection charges in the Master District Capital Projects Fund and amounts restricted for debt service in the Debt Service Fund.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements. The District does not have any committed fund balances.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The District has not adopted a formal policy regarding the assignment of fund balances and does not have any assigned fund balances.

Unassigned - all other spendable amounts in the General Fund.

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses/expenditures during the period reported. These estimates include, among others, the collectability of receivables; the useful lives and impairment of capital assets; the value of amounts due to developer; the value of capital assets transferred to the City of McKinney and the value of capital assets for which the developer has not been fully reimbursed. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from the estimates.

Note 2 – Adjustment from Governmental to Government-wide Basis

Reconciliation of the *Governmental Funds Balance Sheet* to the *Statement of Net Position*

Total fund balances, governmental funds		$ 5,103,281
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Historical cost	$ 34,362,580	
Less accumulated depreciation/amortization	(2,699,044)	
Change due to capital assets		31,663,536
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. The difference consists of:		
Bond anticipation note payable	(6,340,000)	
Bonds payable, net	(36,763,672)	
Interest payable on bonds	(206,749)	
Change due to long-term debt		(43,310,421)
Amounts due to the District's developers for prefunded construction are recorded as a liability in the *Statement of Net Position.*		(39,789,694)
Receivables that are not collected within sixty days of fiscal year end are not considered available to pay current period expenditures and are deferred in the funds		
Property taxes receivable	134,021	
Penalties and interest receivable	11,779	
		145,800
Total net position - governmental activities		$ (46,187,498)

Note 2 – Adjustment from Governmental to Government-wide Basis (continued)

Reconciliation of the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* to the *Statement of Activities*

Net change in fund balances - total governmental funds		$ 1,103,985
Governmental funds do not report revenues that are not available to pay current obligations. In contrast, such revenues are reported in the *Statement of Activities* when earned. The difference is for the following:		
Property taxes	$ 18,306	
Penalties and interest	1,643	
		19,949
Capital outlays for developer reimbursements are recorded as expenditures in the funds, but reduce the liability for the amount due to developers in the *Statement of Net Position.*		8,705,071
In the *Statement of Activities,* the cost of capital assets is charged to depreciation expense over the estimated useful life of the asset.		(1,007,487)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal uses current financial resources. However, neither transaction has any effect on net assets. Other elements of debt financing are reported differently between the fund and government wide statements.		
Issuance of long term debt	(9,425,000)	
Principal payments	695,000	
Repayment of bond anticipation note	5,160,000	
Bond anticipation note proceeds	(6,340,000)	
Interest expense accrual	(88,602)	
		(9,998,602)
The District conveys certain infrastructure to the City of McKinney upon completion of construction. Since these improvements are funded by the developers financial resources are not expended in the fund financial statements; however, in the *Statement of Activities,* these amounts are reported as transfers to other governments.		(4,901,938)
Change in net position of governmental activities		$ (6,079,022)

Note 3 – Deposits and Investments

Deposit Custodial Credit Risk

Custodial credit risk as it applies to deposits (i.e. cash and certificates of deposit) is the risk that, in the event of the failure of the depository institution, a government will not be able to recover its deposits or will not be able to recover collateral securities. The *Public Funds Collateral Act* (Chapter 2257, Texas Government Code) requires that all of the District's deposits with financial institutions be covered by federal depository insurance and, if necessary, pledged collateral held by a third party custodian. The act further specifies the types of securities that can be used as collateral. The District's written investment policy establishes additional requirements for collateralization of deposits.

Investments

The District is authorized by the *Public Funds Investment Act* (Chapter 2256, Texas Government Code) to invest in the following: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including Federal Home Loan Banks, (2) direct obligations of the State of Texas or its agencies and instrumentalities, (3) certain collateralized mortgage obligations, (4) other obligations, which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies or instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States, (5) certain A rated or higher obligations of states and political subdivisions of any state, (6) bonds issued, assumed or guaranteed by the State of Israel, (7) certain insured or collateralized certificates of deposit and share certificates, (8) certain fully collateralized repurchase agreements, (9) bankers' acceptances with limitations, (10) commercial paper rated A-1 or P-1 or higher and a maturity of 270 days or less, (11) no-load money market mutual funds and no-load mutual funds, with limitations, (12) certain guaranteed investment contracts, (13) certain qualified governmental investment pools and (14) a qualified securities lending program.

The District has adopted a written investment policy to establish the principles by which the District's investment program should be managed. This policy further restricts the types of investments in which the District may invest.

As of March 31, 2019, the District's investments consist of the following:

Type	Fund	Carrying Value
Certificates of deposit	General	$ 595,000
	Debt Service	2,245,000
		$ 2,840,000

The District's investments in certificates of deposit are reported at cost.

Note 4 – Interfund Balances and Transactions

Amounts due to/from other funds at March 31, 2019, consist of the following:

Receivable Fund	Payable Fund	Amounts	Purpose
General Fund	Debt Service Fund	$ 6,895	Maintenance tax collections not remitted as of year end
General Fund	Internal District Capital Projects Fund	50,000	Bond application fees paid by the General Fund

Amounts reported as internal balances between funds are considered temporary balances and will be paid during the following fiscal year.

Note 5 – Capital Assets

The District, in its capacity as a Master District, is responsible for constructing regional water, sanitary sewer, storm sewer, roads, and fire protection facilities to serve the entire Trinity Falls master-planned community. The District, in its capacity as a participating district, is responsible for constructing facilities to serve the area within its internal boundaries. See additional information in Note 14.

A summary of changes in capital assets, for the year ended March 31, 2019, is as follows:

	Beginning Balances	Additions/ Adjustments	Ending Balances
Capital assets being depreciated/amortized			
Regional Facilities			
Drainage	$ 1,508,285	$ (53,484)	$ 1,454,801
Roads	3,420,630	1,150,123	4,570,753
Internal Facilities			
Drainage	6,181,272	4,777,832	10,959,104
Roads	11,024,382	6,353,540	17,377,922
	22,134,569	12,228,011	34,362,580
Less accumulated depreciation/amortization			
Regional Facilities			
Drainage	(102,072)	(32,329)	(134,401)
Roads	(430,045)	(152,358)	(582,403)
Internal Facilities			
Drainage	(266,795)	(243,536)	(510,331)
Roads	(892,645)	(579,264)	(1,471,909)
	(1,691,557)	(1,007,487)	(2,699,044)
Capital assets, net	$ 20,443,012	$ 11,220,524	$ 31,663,536

Note 5 – Capital Assets (continued)

The allocation between Regional and Internal Facilities are estimated and are subject to change based on approval of future bond sales.

Depreciation and amortization expense for the current year was $1,007,487.

Note 6 – Bond Anticipation Note

The District uses a bond anticipation note (BAN) to provide short term financing for reimbursements to its developer. Despite its short term nature, a BAN is not recorded as a fund liability, since it will not be repaid from current financial resources and will be repaid through the issuance of long term debt or another BAN. It is, however, recorded as a liability at the government-wide level.

At the beginning of the fiscal year, the District had a BAN outstanding in the amount of $5,160,000. This BAN was repaid on May 2, 2018 with proceeds from the issuance of the District's Series 2018 Unlimited Tax Bonds.

On September 12, 2018, the District issued a $6,340,000 BAN with an interest rate of 2.63%, which is due on September 11, 2019. This BAN was repaid subsequent to year end. See Note 17 for additional information.

The effect of this transaction on the District's short term obligations are as follows:

Beginning balance	$ 5,160,000
Amounts borrowed	6,340,000
Amounts repaid	(5,160,000)
Ending balance	$ 6,340,000

Note 7 – Due to Developer

The District has entered into financing agreements with its developer for the financing of the construction of water, sewer and drainage facilities and road improvements to serve the District and the Master District service area. Under the agreements, the developer will advance funds for the construction of the facilities and will be reimbursed from proceeds of future bond issues, capital recovery fees (for Master District facilities) or other lawfully available funds, subject to approval by TCEQ, as applicable. The District does not record the capital asset and related liability on the government-wide statements until construction of the facilities is complete. The initial cost is estimated based on construction costs plus 10-15% for engineering and other fees. Estimates are trued up when the developer is reimbursed.

Note 7 – Due to Developer (continued)

Changes in amounts due to developer during the year are as follows:

Due to developers, beginning of year	$ 31,364,816
Developer funded construction and adjustments	17,129,949
Amounts paid to developers	(8,705,071)
Due to developers, end of year	$ 39,789,694

In addition, the District will owe its developer approximately $15,908,367, which is included in the following schedule of Regional and Internal District facilities contractual commitments. Regional facilities will be reimbursed to the District's developer through connection charges paid by the District and other Participants as defined in the Master District Contract in Note 14. The exact amount and allocation between Regional and Internal facilities is not known until approved by the TCEQ and verified by the District's auditor. As previously noted, these projects will be reported in the government-wide financial statements upon completion of construction.

	Contract Amount	Amounts Paid	Remaining Commitment
Planning Unit No. 3 - Mass grading *	$ 2,883,691	$ 2,592,201	$ 291,490
Planning Unit No. 3, Phase 2A - paving and utilities	949,640	854,676	94,964
Planning Unit No. 3, Phase 4A - paving and utilities	3,261,631	2,837,299	424,332
Planning Unit No. 3, Phase 5A - paving and utilities *	1,505,626	1,498,269	7,357
Planning Unit No. 3, BB Owen Area 2 - paving and utiliti	318,729	56,946	261,783
Trinity Falls CR 228	2,171,477	1,814,003	357,474
Trinity Falls Parkway Improvements	3,519,592	575,522	2,944,069
Trinity Falls Parkway Link	1,297,983		1,297,983
	$15,908,367	$10,228,916	$ 5,679,452

* District's portion

Note 8 – Long–Term Debt

Long-term debt is comprised of the following:

Bonds payable	$ 37,415,000
Unamortized discounts	(651,328)
	$ 36,763,672
Due within one year	$ 960,000

Note 8 – Long–Term Debt (continued)

The District's bonds payable at March 31, 2019, consists of unlimited tax bonds as follows:

Series	Amounts Outstanding	Original Issue	Interest Rates	Maturity Date, Serially, Beginning/ Ending	Interest Payment Dates	Call Dates
2015	$ 7,880,000	$ 8,070,000	3.00% - 4.00%	September 1, 2018/2040	September 1, March 1	September 1, 2023
2016	5,585,000	5,730,000	1.75% - 4.00%	September 1, 2018/2040	September 1, March 1	September 1, 2023
2017	13,110,000	13,435,000	3.00% - 4.00%	September 1, 2018/2041	September 1, March 1	September 1, 2024
2017A	1,415,000	1,450,000	3.125% - 5.00%	September 1, 2018/2041	September 1, March 1	September 1, 2024
2018	8,380,000	8,380,000	3.00% - 5.50%	September 1, 2019/2042	September 1, March 1	September 1, 2023
2018A	1,045,000	1,045,000	3.00% - 5.50%	September 1, 2019/2042	September 1, March 1	September 1, 2023
	$ 37,415,000					

Payments of principal and interest on all series of bonds are to be provided from taxes levied on all properties within the District. Investment income realized by the Debt Service Fund from investment of idle funds will be used to pay outstanding bond principal and interest. The District is in compliance with the terms of its bond resolutions.

At March 31, 2019, the District had authorized but unissued bonds in the amount of $103,165,000 for water, sewer and drainage facilities; $10,240,000 for fire protection facilities; $136,775,000 for road improvements; $199,575,000 for refunding bonds for water, sewer, and drainage facilities; $15,360,000 for refunding bonds for fire protection facilities; and $217,500,000 for refunding bonds for road improvements.

On May 2, 2018, the District issued its $8,380,000 Series 2018 Unlimited Tax Bonds at a net effective interest rate of 3.812997%. Proceeds of the bonds were used to reimburse the developer for the cost of capital assets constructed within the District plus interest expense at the net effective interest rate of the bonds and to repay a $5,160,000 Bond Anticipation Note issued during the current year.

On May 2, 2018, the District issued its $1,045,000 Series 2018 Unlimited Tax Road Bonds at a net effective interest rate of 3.873429%. Proceeds of the bonds were used to reimburse the developer for the cost of road improvements constructed within the District plus interest expense at the net effective interest rate of the bonds.

Note 8 – Long–Term Debt (continued)

The change in the District's long term debt during the year is as follows:

Bonds payable, beginning of year	$ 28,685,000
Bonds issued	9,425,000
Bonds retired	(695,000)
Bonds payable, end of year	$ 37,415,000

As of March 31, 2019, annual debt service requirements on bonds outstanding are as follows:

Year	Principal	Interest	Totals
2020	$ 960,000	$ 1,350,793	$ 2,310,793
2021	1,000,000	1,312,656	2,312,656
2022	1,055,000	1,272,268	2,327,268
2023	1,095,000	1,229,587	2,324,587
2024	1,150,000	1,186,829	2,336,829
2025	1,195,000	1,144,110	2,339,110
2026	1,260,000	1,099,103	2,359,103
2027	1,320,000	1,054,640	2,374,640
2028	1,375,000	1,011,528	2,386,528
2029	1,440,000	966,488	2,406,488
2030	1,505,000	918,848	2,423,848
2031	1,575,000	867,238	2,442,238
2032	1,640,000	811,493	2,451,493
2033	1,720,000	752,567	2,472,567
2034	1,795,000	689,457	2,484,457
2035	1,885,000	621,572	2,506,572
2036	1,970,000	549,493	2,519,493
2037	2,060,000	473,501	2,533,501
2038	2,160,000	393,263	2,553,263
2039	2,260,000	308,938	2,568,938
2040	2,360,000	220,709	2,580,709
2041	2,465,000	128,488	2,593,488
2042	1,565,000	52,031	1,617,031
2043	605,000	11,344	616,344
	$ 37,415,000	$ 18,426,943	$ 55,841,943

Note 9 – Property Taxes

On May 21, 2014, the voters of the District authorized the District's Board of Directors to levy taxes annually for use in financing general operations limited to $1.20 per $100 of assessed value. The District's bond resolutions require that property taxes be levied for use in paying interest and principal on long-term debt and for use in paying the cost of assessing and collecting taxes. Taxes levied to finance debt service requirements on long-term debt are without limitation as to rate or amount.

All property values and exempt status, if any, are determined by the Collin Central Appraisal District. Assessed values are determined as of January 1 of each year, at which time a tax lien attaches to the related property. Taxes are levied around October/November, are due upon receipt and are delinquent the following February 1. Penalty and interest attach thereafter.

Property taxes are collected based on rates adopted in the year of the levy. The District's 2019 fiscal year was financed through the 2018 tax levy, pursuant to which the District levied property taxes of $1.05 per $100 of assessed value, of which $0.36 was allocated to maintenance and operations, $0.54 to utility system debt service, and $0.15 was allocated to road debt service. The resulting tax levy was $3,296,766 on the adjusted taxable value of $313,977,698.

Total property taxes receivable, at March 31, 2019, consisted of the following:

Current year taxes receivable	$ 115,789
Prior years taxes receivable	18,232
	134,021
Penalty and interest receivable	11,779
Total property taxes receivable	$ 145,800

Note 10 – Builder Contribution Agreements

In lieu of constructing, financing, operating and /or maintaining the improvements necessary to serve the lots purchased or contracted for by builders within the District, the builders have entered into agreements to make contributions to the District to assist in its purpose of designing, constructing, operating and maintaining road facilities and infrastructure. According to the phase of development within the District, the fee ranges from $1,000 to $2,000 per lot. Pursuant to these agreements, the District recorded $361,000 in revenues with $122,000 receivable as of March 31, 2019.

Note 11 – Franchise Fees

The District has granted Atmos Energy Corporation ("Atmos") consent to use public rights-of-way within the District, for the purpose of laying, maintaining, constructing, protecting, operating and replacing pipelines and equipment. Atmos agrees to pay quarterly installments to the District equivalent to 4% of the gross receipts from the sale of gas within the District. During the current year, the District collected $24,953 in franchise fees from Atmos.

Note 11 – Franchise Fees (continued)

The District has granted Grayson-Collin Electric Cooperative, Inc. ("Grayson-Collin") a nonexclusive right to generate, supply, sell, distribute and furnish electrical power and energy to the District and its inhabitants by constructing, operating and maintaining an electrical transmission and distribution system. Grayson-Collin agrees to pay quarterly installments to the District equivalent to 2% of the gross receipts from electrical services to its customers within the District. During the current year, the District collected $29,729 in franchise fees from Grayson-Collin.

Note 12 – Transfers to Other Governments

In accordance with an agreement between the District and the City of McKinney (the "City"), the District transfers all of its water, sewer and certain drainage facilities to the City (see Note 13). Accordingly, the District does not record these capital assets in the *Statement of Net Position*, but instead reports the completed projects as transfers to other governments on the *Statement of Activities*. The estimated cost of each project is trued-up when the developer is subsequently reimbursed. For the year ended March 31, 2019, the total amount of projects completed and transferred to the City was $4,901,938.

Note 13 – Development Agreement with the City of McKinney

On December 4, 2012, subsequently amended July 20, 2016 and October 20, 2017, the developer, on behalf of the District, entered into a development agreement with the City of McKinney (the "City") for construction and extension of water distribution lines, sanitary sewer collection systems and certain drainage facilities to serve the District and the Master District service area. As the system is acquired or constructed, the District shall transfer the system to the City but will reserve a security interest in the system and provide service to all users in the District. The term of the agreement is 15 years.

Water and sewer rates charged by the City to users in the District and the Master District service area, shall be the same rates charged to similar users within the City. All revenue derived from these charges belongs to the City.

The City is obligated to pay the District the 25% of its portion ($0.01) of the sales and use taxes collected by the City on property within the District after deducting the costs of collection. The District has not yet received any revenues pursuant to this agreement.

Note 14 – Master District

The District, in its capacity as "Master District", has entered into contracts with the District (in its capacity as a participating district) and McKinney Municipal Utility District No. 2 of Collin County ("MUD 2") for the financing, operation, and maintenance of regional water, sewer, drainage, roads, and fire protection facilities (the "Master District Contract") to serve the Trinity Falls master-planned community (the "Master District Service Area").

Note 14 – Master District (continued)

The District (in its Master District capacity) will finance the cost of the regional facilities in the Master District Service Area by imposing a capital recovery fee to participating districts, such fee will be calculated from time to time on the basis of the then estimated total cost of constructing the regional facilities minus the payments which have been previously received for connections purchased, and dividing the result by the number of estimated total connections to be constructed within the Master District Service Area minus the number of connections previously purchased from the Master District. The capital recovery fee will include separate components for the regional water system, regional sanitary sewer system, regional storm sewer system, regional road system and regional fire department station. The Master District may periodically recompute the capital recovery fee based on changes in various costs.

The Master District shall charge a monthly fee to participating districts for expenses related to the operation and maintenance of the regional facilities, such cost per connection multiplied by the number of actual connections in the participating district. As of March 31, 2019, the Master District has not charged monthly operating and maintenance fees.

The contract authorizes the establishment of an operating and maintenance reserve by the Master District equivalent to three months' operating and maintenance expenses, as set forth in the Master District's annual budget. Prior to commencement of services, the Master District shall bill the participating districts an amount calculated by multiplying the monthly fee (as defined above) by three in order to provide the initial funding required to establish the reserve. The Master District shall adjust the reserve as needed, not less than annually. As of March 31, 2019, the Master District has not established an operating reserve.

The District (in its capacity as a participating district) has the same rights and obligations as other participants and will levy taxes and issue bonds as needed to meet its contractual obligations to the Master District.

Note 15 – Risk Management

The District is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and personal injuries. The risk of loss is covered by commercial insurance. There have been no significant reductions in insurance coverage from the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Note 16 – Litigation

During the prior year, the District was involved in a dispute between the developer, acting on behalf of the District, and one of its contractors. The contractor made a claim of approximately $500,000 for alleged material cost increases due to certain delays experiences with the construction of Trinity Falls Planning Unit 3, Paving and Utilities Contract No. TF-PU3 (the "Project").

Note 16 – Litigation (continued)

During the current year, the parties reached a settlement agreement. Pursuant to the agreement the developer released $491,829 in retainage to the contractor and an additional amount of $100,000 in full and final settlement of the contractor's claims.

Note 17 – Subsequent Events

On May 29, 2019, the District issued its $10,140,000 Series 2019 Unlimited Tax Bonds at a net effective rate of 3.246388%. Proceeds from the bonds were used to reimburse the District's developer for construction in the District and to repay a $6,340,000 BAN issued in the current fiscal year.

On August 7, 2019, the District issued its $4,150,000 Series 2019 Bond Anticipation Note (BAN) at an interest rate of 2.186%. Proceeds from the BAN were used to reimburse the District's developer for infrastructure improvements in the District. This BAN will be repaid from a future bond sale.

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Required Supplementary Information

McKinney Municipal Utility District No. 1 of Collin County
Required Supplementary Information - Budgetary Comparison Schedule - General Fund
For the Year Ended March 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Water service	$ 20,000	$ 20,000	$ 11,782	$ (8,218)
Garbage service	40,000	40,000	49,097	9,097
Property taxes	600,000	1,104,740	1,113,392	8,652
Builder contributions	600,000	600,000	361,000	(239,000)
Franchise fees	45,000	45,000	54,682	9,682
Investment earnings			19,656	19,656
Total Revenues	1,305,000	1,809,740	1,609,609	(200,131)
Expenditures				
Operating and administrative				
Professional fees	123,500	123,500	204,045	(80,545)
Contracted services	81,900	81,900	64,795	17,105
Repairs and maintenance	60,000	210,000	143,241	66,759
Utilities	28,000	28,000	24,712	3,288
Regional Water Authority fees	1,500	1,500	2,328	(828)
Administrative	29,660	34,060	30,316	3,744
Condemnation fees	200,000	200,000	25,684	174,316
Intergovernmental				
City park fee	41,100	41,100	59,938	(18,838)
Fire service fee	245,000	315,000	314,836	164
Firefighter training	540,000	375,000		375,000
Total Expenditures	1,350,660	1,410,060	869,895	540,165
Revenues Over/(Under) Expenditures	(45,660)	399,680	739,714	340,034
Fund Balance				
Beginning of the year	1,587,032	1,587,032	1,587,032	
End of the year	$ 1,541,372	$ 1,986,712	$ 2,326,746	$ 340,034

Budgets and Budgetary Accounting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The budget was amended during the year to reflect changes in anticipated revenues and expenditures.

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Texas Supplementary Information

McKinney Municipal Utility District No. 1 of Collin County
TSI-1. Services and Rates
March 31, 2019

1. Services provided by the District During the Fiscal Year:

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

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

X Other (Specify): Water and wastewater services are provided by the City of McKinney

2. Retail Service Providers
(You may omit this information if your district does not provide retail services)

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

	Minimum Charge	Minimum Usage	Flat Rate (Y / N)	Rate per 1,000 Gallons Over Minimum Usage	Usage Levels
Water:					to
Wastewater:					to
Surcharge:					to

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

Total charges per 10,000 gallons usage: Water ______ Wastewater ______

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFC'S
Unmetered			x 1.0	
less than 3/4"			x 1.0	
1"			x 2.5	
1.5"			x 5.0	
2"			x 8.0	
3"			x 15.0	
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water				
Total Wastewater			x 1.0	

See accompanying auditor's report.

3. Total Water Consumption during the fiscal year (rounded to the nearest thousand):
   (You may omit this information if your district does not provide water)

Gallons pumped into system:	N/A	Water Accountability Ratio: (Gallons billed / Gallons pumped)
Gallons billed to customers:	N/A	N/A

4. Standby Fees (authorized only under TWC Section 49.231):
   (You may omit this information if your district does not levy standby fees)

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

   If yes, Date of the most recent commission Order: ______

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

   If yes, Date of the most recent commission Order: ______

5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted):

   Is the District located entirely within one county? Yes [X] No [ ]

   County(ies) in which the District is located: Collin County

   Is the District located within a city? Entirely [ ] Partly [ ] Not at all [X]

   City(ies) in which the District is located: ______

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

   Entirely [X] Partly [ ] Not at all [ ]

   ETJs in which the District is located: City of McKinney

   Are Board members appointed by an office outside the district? Yes [ ] No [X]

   If Yes, by whom? ______

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-2 General Fund Expenditures
For the Year Ended March 31, 2019

Professional fees		
Legal	$	140,692
Engineering		51,853
Audit		11,500
		204,045
Contracted services		
Bookkeeping		8,848
Security		55,947
		64,795
Repairs and maintenance		143,241
Utilities		24,712
Regional Water Authority fees		2,328
Administrative		
Directors fees		5,100
Insurance		13,423
Other		11,793
		30,316
Condemnation fees		25,684
Intergovernmental		
City park fee		59,938
Fire service fee		314,836
		374,774
Total expenditures	$	869,895

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-3. Investments
March 31, 2019

Fund	Interest Rate	Maturity Date	Balance at End of Year	Interest Receivable
General				
Certificates of deposit	2.00%	04/01/19	$ 245,000	$ 2,430
Certificates of deposit	2.40%	08/19/19	350,000	1,358
Total			595,000	3,788
Debt Service				
Certificate of deposit	2.00%	04/12/19	245,000	2,282
Certificate of deposit	2.40%	08/19/19	500,000	1,940
Certificate of deposit	2.45%	08/21/19	1,000,000	2,282
Certificate of deposit	2.45%	08/21/19	500,000	1,142
Total			2,245,000	7,646
Total - All Funds			$ 2,840,000	$ 11,434

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-4. Taxes Levied and Receivable
March 31, 2019

	Maintenance Taxes	W-S-D Debt Service Taxes	Road Debt Service Taxes	Totals
Taxes Receivable, Beginning of Year	$ 27,956	$ 65,747	$ 22,014	$ 115,717
Adjustments	(672)	(1,383)	16	(2,039)
Adjusted Receivable	27,284	64,364	22,030	113,678
2018 Original Tax Levy	1,103,891	1,655,837	459,955	3,219,683
Adjustments	26,428	39,643	11,012	77,083
Adjusted Tax Levy	1,130,319	1,695,480	470,967	3,296,766
Total to be accounted for	1,157,603	1,759,844	492,997	3,410,444
Tax collections:				
Current year	1,090,620	1,635,930	454,425	3,180,975
Prior years	22,943	53,947	18,558	95,448
Total Collections	1,113,563	1,689,877	472,983	3,276,423
Taxes Receivable, End of Year	$ 44,040	$ 69,967	$ 20,014	$ 134,021
Taxes Receivable, By Years				
2018	$ 39,699	$ 59,549	$ 16,541	115,789
2017	4,341	10,418	3,473	18,232
Taxes Receivable, End of Year	$ 44,040	$ 69,967	$ 20,014	$ 134,021

	2018	2017	2016	2015
Property Valuations				
Land	$ 99,618,930	$ 93,531,474	$ 76,712,441	$ 54,216,493
Improvements	219,642,530	146,194,289	53,505,248	7,017,093
Personal Property	3,645,415	2,176,379	457,498	39,500
Exemptions	(8,929,177)	(6,240,207)	(2,874,804)	(1,291,109)
Total Property Valuations	$ 313,977,698	$ 235,661,935	$ 127,800,383	$ 59,981,977
Tax Rates per $100 Valuation				
Maintenance tax rates	$ 0.36	$ 0.25	$ 0.39	$ 0.505
W-S-D debt service tax rates	0.54	0.60	0.38	0.545
Road debt service tax	0.15	0.20	0.28	
Total Tax Rates per $100 Valuation	$ 1.05	$ 1.05	$ 1.05	$ 1.05
Adjusted Tax Levy	$ 3,296,766	$ 2,474,450	$ 1,341,904	$ 629,811
Percentage of Taxes Collected to Taxes Levied **	96.49%	99.26%	100.00%	100.00%

* Maximum Maintenance Tax Rate Approved by Voters: $1.20 on May 21, 2014

** Calculated as taxes collected for a tax year divided by taxes levied for that tax year.

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
Series 2015--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 200,000	$ 286,493	$ 486,493
2021	210,000	280,344	490,344
2022	220,000	273,894	493,894
2023	230,000	267,144	497,144
2024	245,000	260,019	505,019
2025	255,000	252,519	507,519
2026	270,000	244,644	514,644
2027	285,000	235,963	520,963
2028	300,000	226,081	526,081
2029	315,000	215,122	530,122
2030	330,000	203,225	533,225
2031	350,000	190,475	540,475
2032	365,000	177,069	542,069
2033	385,000	163,006	548,006
2034	405,000	148,194	553,194
2035	430,000	132,000	562,000
2036	450,000	114,400	564,400
2037	475,000	95,900	570,900
2038	500,000	76,400	576,400
2039	525,000	55,900	580,900
2040	555,000	34,300	589,300
2041	580,000	11,600	591,600
	$ 7,880,000	$ 3,944,692	$ 11,824,692

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
Series 2016 Road--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 155,000	$ 196,393	$ 351,393
2021	160,000	193,043	353,043
2022	170,000	189,118	359,118
2023	175,000	184,586	359,586
2024	185,000	179,405	364,405
2025	190,000	173,685	363,685
2026	200,000	167,440	367,440
2027	210,000	160,570	370,570
2028	220,000	153,260	373,260
2029	230,000	145,495	375,495
2030	240,000	137,270	377,270
2031	250,000	128,570	378,570
2032	260,000	119,390	379,390
2033	275,000	109,623	384,623
2034	285,000	99,263	384,263
2035	295,000	88,385	383,385
2036	310,000	76,890	386,890
2037	325,000	64,500	389,500
2038	340,000	51,200	391,200
2039	355,000	37,300	392,300
2040	370,000	22,800	392,800
2041	385,000	7,700	392,700
	$ 5,585,000	$ 2,685,886	$ 8,270,886

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
Series 2017--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 335,000	$ 460,063	$ 795,063
2021	350,000	446,362	796,362
2022	370,000	431,962	801,962
2023	385,000	416,863	801,863
2024	400,000	403,161	803,161
2025	420,000	390,862	810,862
2026	440,000	377,962	817,962
2027	460,000	364,463	824,463
2028	480,000	350,362	830,362
2029	500,000	335,663	835,663
2030	525,000	320,288	845,288
2031	545,000	302,875	847,875
2032	570,000	283,362	853,362
2033	595,000	262,975	857,975
2034	625,000	240,844	865,844
2035	650,000	216,937	866,937
2036	680,000	192,000	872,000
2037	710,000	165,938	875,938
2038	745,000	138,656	883,656
2039	780,000	110,063	890,063
2040	810,000	80,250	890,250
2041	850,000	49,125	899,125
2042	885,000	16,594	901,594
	$ 13,110,000	$ 6,357,630	$ 19,467,630

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
Series 2017A Road--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 35,000	$ 52,644	$ 87,644
2021	40,000	50,769	90,769
2022	40,000	48,769	88,769
2023	40,000	46,769	86,769
2024	45,000	44,869	89,869
2025	45,000	43,069	88,069
2026	50,000	41,169	91,169
2027	50,000	39,169	89,169
2028	50,000	37,388	87,388
2029	55,000	35,746	90,746
2030	55,000	34,028	89,028
2031	60,000	32,156	92,156
2032	60,000	30,131	90,131
2033	65,000	28,022	93,022
2034	65,000	25,747	90,747
2035	70,000	23,300	93,300
2036	75,000	20,672	95,672
2037	75,000	17,906	92,906
2038	80,000	15,000	95,000
2039	85,000	11,906	96,906
2040	90,000	8,625	98,625
2041	90,000	5,250	95,250
2042	95,000	1,781	96,781
	$ 1,415,000	$ 694,885	$ 2,109,885

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
Series 2018--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 210,000	$ 314,831	$ 524,831
2021	215,000	303,144	518,144
2022	225,000	291,044	516,044
2023	235,000	278,394	513,394
2024	245,000	265,194	510,194
2025	255,000	251,444	506,444
2026	265,000	237,144	502,144
2027	280,000	225,656	505,656
2028	290,000	217,106	507,106
2029	300,000	208,256	508,256
2030	315,000	199,031	514,031
2031	330,000	189,356	519,356
2032	340,000	179,094	519,094
2033	355,000	168,013	523,013
2034	370,000	156,000	526,000
2035	390,000	143,175	533,175
2036	405,000	129,506	534,506
2037	420,000	115,069	535,069
2038	440,000	99,744	539,744
2039	460,000	83,431	543,431
2040	475,000	66,484	541,484
2041	500,000	48,813	548,813
2042	520,000	30,000	550,000
2043	540,000	10,125	550,125
	$ 8,380,000	$ 4,210,053	$ 12,590,053

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
Series 2018A Road--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 25,000	$ 40,369	$ 65,369
2021	25,000	38,994	63,994
2022	30,000	37,481	67,481
2023	30,000	35,831	65,831
2024	30,000	34,181	64,181
2025	30,000	32,531	62,531
2026	35,000	30,744	65,744
2027	35,000	28,819	63,819
2028	35,000	27,331	62,331
2029	40,000	26,206	66,206
2030	40,000	25,006	65,006
2031	40,000	23,806	63,806
2032	45,000	22,447	67,447
2033	45,000	20,928	65,928
2034	45,000	19,409	64,409
2035	50,000	17,775	67,775
2036	50,000	16,025	66,025
2037	55,000	14,188	69,188
2038	55,000	12,263	67,263
2039	55,000	10,338	65,338
2040	60,000	8,250	68,250
2041	60,000	6,000	66,000
2042	65,000	3,656	68,656
2043	65,000	1,219	66,219
	$ 1,045,000	$ 533,797	$ 1,578,797

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-5. Long-Term Debt Service Requirements
All Bonded Debt Series--by Years
March 31, 2019

Due During Fiscal Years Ending	Principal Due September 1	Interest Due September 1, March 1	Total
2020	$ 960,000	$ 1,350,793	$ 2,310,793
2021	1,000,000	1,312,656	2,312,656
2022	1,055,000	1,272,268	2,327,268
2023	1,095,000	1,229,587	2,324,587
2024	1,150,000	1,186,829	2,336,829
2025	1,195,000	1,144,110	2,339,110
2026	1,260,000	1,099,103	2,359,103
2027	1,320,000	1,054,640	2,374,640
2028	1,375,000	1,011,528	2,386,528
2029	1,440,000	966,488	2,406,488
2030	1,505,000	918,848	2,423,848
2031	1,575,000	867,238	2,442,238
2032	1,640,000	811,493	2,451,493
2033	1,720,000	752,567	2,472,567
2034	1,795,000	689,457	2,484,457
2035	1,885,000	621,572	2,506,572
2036	1,970,000	549,493	2,519,493
2037	2,060,000	473,501	2,533,501
2038	2,160,000	393,263	2,553,263
2039	2,260,000	308,938	2,568,938
2040	2,360,000	220,709	2,580,709
2041	2,465,000	128,488	2,593,488
2042	1,565,000	52,031	1,617,031
2042	605,000	11,344	616,344
	$ 37,415,000	$ 18,426,943	$ 55,841,943

See accompanying auditors' report.

McKinney Municipal Utility District No. 1 of Collin County
TSI-6. Change in Long-Term Bonded Debt
March 31, 2019

	Bond Issue			
	Series 2015	Series 2016 Road	Series 2017	Series 2017A Road
Interest rate	3.00% - 4.00%	1.75% - 4.00%	3.00% - 4.00%	3.125% - 5.00%
Dates interest payable	9/1; 3/1	9/1; 3/1	9/1; 3/1	9/1; 3/1
Maturity dates	9/1/18 - 9/1/40	9/1/18 - 9/1/40	9/1/18 - 9/1/41	9/1/18 - 9/1/41
Beginning bonds outstanding	$ 8,070,000	$ 5,730,000	$ 13,435,000	$ 1,450,000
Bonds issued				
Bonds retired	(190,000)	(145,000)	(325,000)	(35,000)
Ending bonds outstanding	$ 7,880,000	$ 5,585,000	$ 13,110,000	$ 1,415,000
Interest paid during fiscal year	$ 292,343	$ 199,210	$ 473,263	$ 54,394
Paying agent's name and city				
All Series	Regions Bank, Houston, TX			

Bond Authority:	Water, Sewer and Drainage Bonds	Fire Protection Bonds	Road Bonds	Water, Sewer and Drainage Refunding Bonds
Amount Authorized by Voters	$ 133,050,000	$ 10,240,000	$ 145,000,000	$ 199,575,000
Amount Issued	(29,885,000)		(8,225,000)	
Remaining To Be Issued	$ 103,165,000	$ 10,240,000	$ 136,775,000	$ 199,575,000

Bond Authority:	Fire Protection Refunding Bonds	Road Refunding Bonds
Amount Authorized by Voters	$ 15,360,000	$ 217,500,000
Amount Issued		
Remaining To Be Issued	$ 15,360,000	$ 217,500,000

All bonds are secured with tax revenues. Bonds may also be secured with other revenues in combination with taxes.

Debt Service Fund cash and investments balances as of March 31, 2019: $ 2,730,551

Average annual debt service payment (principal and interest) for remaining term of all debt: $ 2,326,748

See accompanying auditors' report.

Bond Issue		
Series 2018	Series 2018A Road	Totals
3.00% - 5.50%	3.00% - 5.50%	
9/1; 3/1	9/1; 3/1	
9/1/19 - 9/1/42	9/1/19 - 9/1/42	
$ -	$ -	$ 28,685,000
8,380,000	1,045,000	9,425,000
		(695,000)
$ 8,380,000	$ 1,045,000	$ 37,415,000
$ 267,172	$ 34,214	$ 1,320,596

McKinney Municipal Utility District No. 1 of Collin County
TSI-7a. Comparative Schedule of Revenues and Expenditures - General Fund
For the Last Five Fiscal Periods

	Amounts				
	2019	2018	2017	2016	2015**
Revenues					
Water service	$ 11,782	$ 10,491	$ 9,982	$ 20,066	$ 4,440
Garbage service	49,097	41,897	18,023	6,748	
Property taxes	1,113,392	570,842	486,695	324,404	36,337
Builder contributions	361,000	264,000	548,000	444,000	113,000
Franchise fees	54,682	36,776	19,060	3,451	
Miscellaneous					91
Investment earnings	19,656	5,885	1,486	266	
Total Revenues	1,609,609	929,891	1,083,246	798,935	153,868
Expenditures					
Operating and administrative					
Professional fees	204,045	238,535	98,170	134,501	407,153
Contracted services	64,795	45,088	8,843	5,242	6,506
Repairs and maintenance	143,241	4,096	7,017		
Utilities	24,712	23,238	19,174	23,952	7,186
Regional Water Authority fees	2,328	1,050	998	2,059	390
Administrative	30,316	22,504	13,416	10,913	19,094
Condemnation fees	25,684				
Other					3,624
Intergovernmental					
City park fee	59,938	43,257	21,150	4,837	8
Fire service fee	314,836	194,232	70,622		
Capital outlay		365,231			
Total Expenditures	869,895	937,231	239,390	181,504	443,961
Revenues Over/(Under) Expenditures	$ 739,714	$ (7,340)	$ 843,856	$ 617,431	$ (290,093)

*Percentage is negligible
** Inception period

See accompanying auditors' report.

Percent of Fund Total Revenues				
2019	2018	2017	2016	2015**
1%	1%	1%	2%	3%
3%	5%	2%	1%	
69%	61%	44%	41%	24%
22%	28%	51%	56%	73%
3%	4%	2%	*	
				*
1%	1%	*	*	
99%	100%	100%	100%	100%
13%	26%	9%	17%	265%
4%	5%	1%	1%	4%
9%	*	1%		
2%	2%	2%	3%	5%
*	*	*	*	*
2%	2%	1%	1%	12%
2%				
				2%
4%	5%	2%	1%	*
20%				
56%	40%	16%	23%	288%
43%	60%	84%	77%	(188%)

McKinney Municipal Utility District No. 1 of Collin County
TSI-7b. Comparative Schedule of Revenues and Expenditures - Debt Service Fund
For the Last Four Fiscal Years

	Amounts			
	2019	2018	2017	2016
Revenues				
Property taxes	$ 2,164,679	$1,837,607	$ 820,401	$ 319,819
Penalties and interest	23,835	13,008	2,557	1,250
Investment earnings	29,651	9,605	3,476	1,362
Total Revenues	2,218,165	1,860,220	826,434	322,431
Expenditures				
Tax collection services	44,462	30,575	19,938	11,132
Debt service				
Principal	695,000			
Interest and fees	1,322,817	1,056,223	512,879	135,297
Total Expenditures	2,062,279	1,086,798	532,817	146,429
Revenues Over Expenditures	$ 155,886	$ 773,422	$ 293,617	$ 176,002

*Percentage is negligible

See accompanying auditors' report.

Percent of Fund Total Revenues			
2019	2018	2017	2016
97%	98%	100%	100%
1%	1%	*	*
1%	1%	*	*
99%	100%	100%	100%
2%	2%	2%	3%
31%			
60%	57%	62%	42%
93%	59%	64%	45%
6%	41%	36%	55%

McKinney Municipal Utility District No. 1 of Collin County
TSI-8. Board Members, Key Personnel and Consultants
For the Year Ended March 31, 2019

Complete District Mailing Address: 1980 Post Oak Boulevard, Suite 1380, Houston, Texas 77056

District Business Telephone Numbe (713) 850-9000

Submission Date of the most recent District Registration Form

(TWC Sections 36.054 and 49.054): January 10, 2019

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

(Set by Board Resolution -- TWC Section 49.0600)

Names:	Term of Office (Elected or Appointed)	Fees of Office Paid*	Expense Reimburse-ments	Title at Year End
Board Members				
Thomas Ryan	7/2018 - 5/2022	$ 900	$ 66	President
Steve Wilson	1/2019 - 5/2020	450	17	Vice President
Mark McKinney	7/2018 - 5/2022	1,050	66	Secretary
Ryan A. Rosa	1/2019 - 5/2020	450	17	Assistant Secretary
Linda Backlund	1/2019 - 5/2022	450	17	Assistant Secretary
Mark Yeager	5/2016 - 1/2019	900	96	Former Secretary
Ryan Burkhardt	7/2018 - 1/2019	200	32	Former Assistant Secretary
Allison Case	5/2016 - 1/2019	450	36	Former Assistant Secretary
Pieter Kessels	5/2014 - 5/2018	150	16	Former Assistant Secretary

Names:	Date Hired	Amounts Paid	
Consultants			
Sanford Kuhl Hagan Kugle Parker Kahn, LLP	4/30/2012	$ 418,622	Attorney
L&S District Services	2/12/2010	10,948	Bookkeeper
Utility Tax Services, LLC	5/21/2014	15,047	Tax Collector
Collin Central Appraisal District	Legislative	18,052	Property Valuation
Gay, McCall, Isaacks & Roberts	7/12/2017	6,146	Delinquent Tax Attorney
Kimley-Horn and Associates, Inc.	5/11/2015	51,853	Engineer
McGrath & Co., PLLC	Annual	35,250	Auditor
Robert W. Baird & Co. Inc	1/26/2015	259,846	Financial Advisor

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

See accompanying auditors' report.

APPENDIX B

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By ________________________________
Authorized Officer

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