

OFFICIAL STATEMENT DATED SEPTEMBER 8, 2022

IN THE OPINION OF BOND COUNSEL, INTEREST ON THE BONDS IS EXCLUDABLE FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER EXISTING LAW AND IS NOT SUBJECT TO THE ALTERNATIVE MINIMUM TAX ON INDIVIDUALS; HOWEVER, SUCH INTEREST IS TAKEN INTO ACCOUNT IN DETERMINING THE ANNUAL ADJUSTED FINANCIAL STATEMENT INCOME OF APPLICABLE CORPORATIONS FOR THE PURPOSE OF DETERMINING THE ALTERNATIVE MINIMUM TAX IMPOSED ON CORPORATIONS FOR TAX YEARS BEGINNING AFTER DECEMBER 31, 2022. SEE "TAX MATTERS" FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

The Bonds have been designated as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Qualified Tax-Exempt Obligations".

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) "AA"

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

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

\$4,805,000

**Unlimited Tax Utility Bonds
Series 2022**

Dated: September 1, 2022

Due: September 1, as shown on inside cover

Interest Accrues From: Date of Delivery

The \$4,805,000 Unlimited Tax Utility Bonds, Series 2022 (the "Bonds") are obligations solely of Caddo Mills Municipal Management District No. 1 (the "District") and are not obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any political subdivision or entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; the County; the City; or any entity other than the District is pledged to the payment of the principal of or the interest on the Bonds.

Principal of the Bonds is payable upon presentation at the principal payment office of the paying agent/registrars, initially, BOKF, NA, Dallas, Texas (the "Paying Agent/Registrar"). The Bonds are dated September 1, 2022 (the "Dated Date"), and interest accrues from the date of delivery (on or about September 29, 2022) (the "Date of Delivery"), and is payable on March 1, 2023, and on each September 1 and March 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption. Interest on the Bonds will be payable by check dated as of the Interest Payment Date and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding each Interest Payment Date. The Bonds are fully registered bonds in principal denominations of \$5,000 or any integral multiple thereof.

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

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

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**.



The Bonds constitute the first (1st) series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"). The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). When issued, the Bonds will constitute valid and binding obligations of the District payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property within the District. See "THE BONDS – Source of Payment."

Investment in the Bonds is subject to special investment risks as described herein. Prospective purchasers should review this entire Official Statement, including particularly the section of this Official Statement entitled "RISK FACTORS," before making an investment decision.

The Bonds are offered, when, as and if issued by the District to the winning bidder of the Bonds (the "Initial Purchaser") subject, among other things, to the approval of the Attorney General of Texas and of Coats Rose, P.C., Bond Counsel. Delivery of the Bonds through the facilities of DTC is expected on or about September 29, 2022.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS

\$4,805,000 Unlimited Tax Utility Bonds, Series 2022

\$1,510,000 Serial Bonds

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 127258 (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 127258 (b)
2024	\$ 120,000	6.500%	2.900%	BA8	2030 (c)	\$ 155,000	6.500%	3.400%	BG5
2025	125,000	6.500%	3.000%	BB6	2031 (c)	160,000	6.500%	3.500%	BH3
2026	130,000	6.500%	3.100%	BC4	****	****	****	****	****
2027	135,000	6.500%	3.200%	BD2	2036 (c)	195,000	4.000%	4.150%	BN0
2028	140,000	6.500%	3.300%	BE0	2037 (c)	205,000	4.000%	4.200%	BP5
2029	145,000	6.500%	3.350%	BF7					

\$3,295,000 Term Bonds

\$340,000 Term Bond Due September 1, 2033 (c)(d), Interest Rate: 4.000% (Price: \$100.599) (a), CUSIP No. 127258 BK6 (b)

\$370,000 Term Bond Due September 1, 2035 (c)(d), Interest Rate: 4.000% (Price: \$99.001) (a), CUSIP No. 127258 BM2 (b)

\$440,000 Term Bond Due September 1, 2039 (c)(d), Interest Rate: 4.000% (Price: \$97.002) (a), CUSIP No. 127258 BR1 (b)

\$470,000 Term Bond Due September 1, 2041 (c)(d), Interest Rate: 4.250% (Price: \$98.716) (a), CUSIP No. 127258 BT7 (b)

\$785,000 Term Bond Due September 1, 2044 (c)(d), Interest Rate: 4.250% (Price: \$97.215) (a), CUSIP No. 127258 BW0 (b)

\$890,000 Term Bond Due September 1, 2047 (c)(d), Interest Rate: 4.375% (Price: \$98.135) (a), CUSIP No. 127258 BZ3 (b)

-
- (a) The initial reoffering yield has been provided by the Initial Purchaser (herein defined) and represents the initial offering price to the public of a substantial amount of the Bonds for each maturity. Such initial reoffering yield may be changed for subsequent purchasers. The initial reoffering yields indicated above represent 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 FactSet Research Systems Inc. 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, 2030, and thereafter, 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, 2029, or any date thereafter at a price equal to the principal amount thereof, plus accrued interest to the date fixed for redemption. See "THE BONDS – Redemption Provisions – *Optional Redemption*."
- (d) Subject to mandatory sinking fund redemption by lot or other customary method of random selection on September 1 in the years and amounts as set forth under "THE BONDS – Redemption Provisions – *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 the 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 Coats Rose, P.C. ("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."

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE" and "APPENDIX B."

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.

TABLE OF CONTENTS

USE OF INFORMATION IN OFFICIAL STATEMENT ..1	Tax Collection Limitations.....11
SALE AND DISTRIBUTION OF THE BONDS3	Registered Owners' Remedies12
Award of the Bonds3	Bankruptcy Limitation to Registered
Prices and Marketability3	Owners' Rights12
Securities Laws.....3	Marketability13
MUNICIPAL BOND INSURANCE.....3	Operating Funds.....13
Bond Insurance Policy.....3	Future Debt13
Build America Mutual Assurance Company3	Continuing Compliance with Certain
RATINGS.....5	Covenants13
OFFICIAL STATEMENT SUMMARY6	Approval of the Bonds14
SELECTED FINANCIAL INFORMATION.....9	Environmental Regulations14
INTRODUCTION.....10	Infectious Disease Outlook – COVID-19.....16
RISK FACTORS.....10	Potential Impact of Natural Disaster.....16
General10	Future and Proposed Legislation17
Factors Affecting Taxable Values and Tax	Bond Insurance Risk Factors.....17
Payments10	THE BONDS.....18
Competitive Nature of Residential Housing	General18
Market.....11	Book-Entry-Only System18

Successor Paying Agent/Registrar.....	20	Tax Abatement.....	40
Registration, Transfer and Exchange.....	20	District and Taxpayer Remedies.....	40
Mutilated, Lost, Stolen or Destroyed Bonds ...	20	Rollback of Operation and Maintenance Tax	
Redemption Provisions.....	21	Rate.....	40
Record Date for Interest Payment.....	22	Levy and Collection of Taxes	41
Source of Payment.....	22	District's Rights in the Event of Tax	
Authority for Issuance.....	22	Delinquencies	42
Issuance of Additional Debt	22	TAX DATA	42
Outstanding Bonds.....	23	General	42
No Arbitrage.....	23	Tax Rate Limitation	42
Dissolution.....	23	Debt Service Taxes	43
Consolidation.....	23	Maintenance and Operations Taxes	43
Funds.....	24	Tax Exemption	43
Defeasance.....	24	Additional Penalties	43
Legal Investment and Eligibility to Secure		Historical Tax Collections	43
Public Funds in Texas.....	24	Tax Rate Distribution.....	43
Registered Owners' Remedies	25	Analysis of Tax Base	44
Amendments to the Bond Order	25	Principal Taxpayers.....	44
Use and Distribution of Bond Proceeds	26	Tax Rate Calculations.....	44
THE DISTRICT.....	27	Estimated Overlapping Taxes	44
General	27	LEGAL MATTERS.....	45
Description and Location	27	Legal Opinions.....	45
Management of the District.....	27	No-Litigation Certificate	45
Investment Policy	27	No Material Adverse Change	45
Consultants	28	TAX MATTERS.....	46
DEVELOPMENT OF THE DISTRICT	29	Opinion.....	46
Status of Development within the District	29	Federal Income Tax Accounting Treatment	
Homebuilder within the District.....	29	of Original Issue Discount	47
PHOTOGRAPHS TAKEN IN THE DISTRICT	30	Collateral Federal Income Tax	
PHOTOGRAPHS TAKEN IN THE DISTRICT	31	Consequences	47
THE DEVELOPER.....	32	Qualified Tax-Exempt Obligations	48
Role of the Developer.....	32	CONTINUING DISCLOSURE OF INFORMATION.....	48
Developer	32	Annual Reports.....	49
Developer Financing	33	Event Notices.....	49
THE SYSTEM.....	33	Availability of Information from EMMA.....	50
General	33	Limitations and Amendments.....	50
Description of the System	33	Compliance with Prior Undertaking	50
Floodplain	33	OFFICIAL STATEMENT.....	50
DISTRICT DEBT.....	35	General	50
Estimated Debt Service Requirement		Experts.....	50
Schedule	36	Certification as to Official Statement	51
Direct and Estimated Overlapping Debt		Updating of Official Statement.....	51
Statement.....	37	CONCLUDING STATEMENT.....	51
Debt Ratios	37		
TAXING PROCEDURES	38	APPENDIX A Independent Auditor's Report and	
Authority to Levy Taxes.....	38	Financial Statements of the District	
Property Tax Code and County-Wide			
Appraisal District	38	APPENDIX B Specimen Municipal Bond	
Property Subject to Taxation by the District..	38	Insurance Policy	
Valuation of Property for Taxation.....	39		
Disaster Exemption.....	40		

SALE AND DISTRIBUTION OF THE BONDS

Award of the Bonds

After requesting competitive bids for the Bonds, the District has accepted the bid resulting in the lowest net interest cost, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser"). The Initial Purchaser has agreed to purchase the Bonds, bearing the interest rates shown under "MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL REOFFERING YIELDS AND CUSIPS" on the inside cover page of this Official Statement, at a price of 97.000000% of the principal amount thereof, which resulted in a net effective interest rate of 4.600385%, calculated pursuant to Chapter 1204, Texas Government Code, as amended.

Prices and Marketability

The District has no control over the reoffering yields or prices of the Bonds or 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 prices of the Bonds may be greater than the difference between the bid and asked prices 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.

Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser. The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial reoffering 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.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, BAM 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."

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

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Policy), and BAM does not guarantee the market price or liquidity of the Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2022, and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$490.5 million, \$187.1 million, and \$303.4 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM 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 BAM, supplied by BAM and presented under "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and

other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Bonds, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

RATINGS

The Bonds are expected to receive an insured rating of “AA” from S&P solely in reliance upon the issuance of the Policy. An explanation of the ratings of S&P may only be obtained from S&P. S&P is located at 55 Water Street, New York, New York 10041, telephone number (212) 208-8000 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 ratings express only the view of S&P at the time the ratings are given. Furthermore, a security rating is not a recommendation to buy, sell or hold securities. 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, if in its judgment, circumstances so warrant. Any such revisions or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

The District did not make an application for an underlying rating on the Bonds. Furthermore, it is not expected that the District would have been successful in obtaining an investment-grade underlying rating on the Bonds had such application been made.

[Remainder of this page intentionally left blank.]

OFFICIAL STATEMENT SUMMARY

The following information is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement. 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 District.....	Caddo Mills Municipal Management District No. 1 (the "District"), a political subdivision of the State of Texas, located within Hunt County, Texas. See "THE DISTRICT."
The Bonds.....	The District's \$4,805,000 Unlimited Tax Utility Bonds, Series 2022 (the "Bonds") are dated September 1, 2022. Interest on the Bonds accrues from the initial date of delivery (on or about September 29, 2022) (the "Date of Delivery"), at the rate set forth on the inside cover page hereof, and is payable on March 1, 2023, and on each September 1 and March 1 thereafter until the earlier of stated maturity or redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 for any one maturity. See "THE BONDS."
Redemption Provisions	<p>Bonds maturing on and after September 1, 2030, are subject to redemption, in whole or from time to time in part, at the option of the District on September 1, 2029, and on 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 Provisions – <i>Optional Redemption</i>."</p> <p>The Bonds maturing on September 1, 2024, through September 1, 2031, both inclusive, September 1, 2036, and September 1, 2037 are serial bonds. The Bonds maturing on September 1 in the years 2033, 2035, 2039, 2041, 2044 and 2047 are term bonds that are also subject to mandatory sinking fund redemption provisions set out under "THE BONDS – Redemption Provisions – <i>Mandatory Redemption</i>."</p>
Source of Payment	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, levied upon all taxable property within the District without legal limitation as to rate or amount. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any other political subdivision or entity other than the District. See "THE BONDS – Source of Payment."
Outstanding Bonds	The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"). At the time of delivery of the Bonds, \$4,085,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").
Payment Record.....	The District has never defaulted on the timely payment of principal and interest on its Outstanding Bonds.
Authority for Issuance.....	Voters of the District have authorized the District's issuance of a total of \$58,098,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System") and \$87,147,752

principal amount of unlimited tax bonds for the purpose of refunding such bonds.

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Chapter 375, Local Government Code, as amended; (iii) an election held within the District on May 2, 2020; (iv) an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the “Board”) on the date of sale of the Bonds (the “Bond Order”); and (v) an order issued by the Texas Commission on Environmental Quality (the “TCEQ”). See “THE BONDS – Authority for Issuance.”

Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used to reimburse the Developer (herein defined) for the improvements and related costs as set out herein under “THE BONDS – Use and Distribution of Bond Proceeds.” In addition, proceeds from the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest, and certain other costs associated with the issuance of the Bonds. See “THE BONDS –Use and Distribution of Bond Proceeds.”
Qualified Tax-Exempt Obligations	The Bonds have been designated as “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS – Qualified Tax-Exempt Obligations.”
Municipal Bond Insurance	Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE” above.
Ratings	S&P Global Ratings (BAM Insured): “AA.” See “RATINGS” above.
Bond Counsel	Coats Rose, P.C., Dallas, Texas.
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
Financial Advisor	Robert W. Baird & Co. Incorporated, Dallas, Texas.
Paying Agent/Registrar	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description	The District was created by the TCEQ on April 2, 2018, as a municipal management district. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to municipal management districts, municipal utility district, and other types of special purpose districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Texas Local Government Code, as amended, and Article XVI, Section 59, and Article III, Section 52 of the Texas Constitution. The District is subject to the continuing supervision of the TCEQ. See “THE DISTRICT.”
Location	The District is located in the County and includes three tracts of land that total approximately 561.98 acres. The tract of land west of Farm-to-Market 36 (“FM 36”) is approximately 100.673 acres and is located south of the intersection of Highway 66 and FM 36 (“Tract 1”). The tract of land to the east of FM 36 is approximately 353.607 acres and is located north of the intersection of Farm-to-Market 679 and Interstate Highway 30 (“Tract 2”). The tract of land west of FM 36 and north of Tract 1 is approximately 107.697 acres. The District is located wholly within the city limits of the City and within the boundaries of Caddo Mills Independent School District (“CMISD”).

Developer.....	D.R. Horton-Texas, LTD, a Texas limited partnership (“D.R. Horton” or the “Developer”), is the sole developer of land within the District. See “THE DEVELOPER.”
Development within the District.....	The District is being developed as the single-family residential communities of Caddo Downs Estates , Trailstone, and Stonehaven Estates. As of July 1, 2022, approximately 817 single-family residential lots (216.97 acres) have been developed as Caddo Downs Estates, Phases 1 and 2 (389 lots and approximately 100.65 acres) and Trailstone, Phases 1, 2 and 3 (428 lots and approximately 116.32 acres). In addition, approximately 202 acres (712 lots) are under development as Trailstone, Phases 4 and 5 and Stonehaven Estates, Phases 1 and 2. The remaining land within the District is comprised of approximately 13.87 acres reserved for a school site, and approximately 129.1 undeveloped but developable acres planned for future development of single-family residential lots. As of July 1, 2022, the District consisted of approximately 714 completed homes (700 occupied and 14 unoccupied), approximately 92 homes under construction, and 11 vacant developed lots. See “DEVELOPMENT OF THE DISTRICT – Status of Development within the District.”
Homebuilder.....	D.R. Horton is the sole homebuilder within the District. Homes within the District range in price from approximately \$282,490 to approximately \$380,490 and in size from approximately 1,583 square feet to approximately 2,913 square feet. See “DEVELOPMENT OF THE DISTRICT – Homebuilder within the District.”
Infectious Disease Outlook (COVID-19).....	The purchase and ownership of the Bonds is subject to certain risk factors, including certain factors related to the current COVID-19 pandemic. See “RISK FACTORS – Infectious Disease Outlook – COVID-19.”

RISK FACTORS

THE BONDS ARE SUBJECT TO CERTAIN INVESTMENT RISKS. PROSPECTIVE PURCHASERS SHOULD REVIEW THIS ENTIRE OFFICIAL STATEMENT, INCLUDING PARTICULARLY THE SECTION OF THIS OFFICIAL STATEMENT ENTITLED “RISK FACTORS,” BEFORE MAKING AN INVESTMENT DECISION.

[Remainder of this page intentionally left blank.]

**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Assessed Valuation	\$ 183,476,034	(a)
Estimate of Value as of July 1, 2022.....	\$ 227,810,000	(b)
Direct Debt		
The Outstanding Bonds	\$ 4,085,000	
The Bonds	<u>4,805,000</u>	
Total.....	\$ 8,890,000	
Estimated Overlapping Debt	\$ <u>24,424,881</u>	(c)
Total Direct and Estimated Overlapping Debt.....	\$ <u>33,314,881</u>	(c)
Direct Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	4.85	%
As a Percentage of Estimate of Value as of July 1, 2022.....	3.90	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	18.16	%
As a Percentage of Estimate of Value as of July 1, 2022.....	14.62	%
Utility System Debt Service Fund Balance (as of closing of the Bonds)	\$ 360,375	(d)
Road System Debt Service Fund Balance (as of August 10, 2022)	\$ 169,681	(e)
General Operating Fund Balance (as of August 10, 2022)	\$ 171,262	(f)
2022 Tax Rate		
Utility System Debt Service.....	\$0.05	
Road System Debt Service.....	0.12	
Maintenance and Operations	<u>0.17</u>	
Total.....	\$0.34	(g)
Average Annual Debt Service Requirement on the		
Bonds and the Outstanding Bonds (2023–2047)	\$ 547,680	(h)
Maximum Annual Debt Service Requirement on the		
Bonds and the Outstanding Bonds (2044)	\$ 571,475	(h)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average		
Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2023–2047):		
Based on 2022 Assessed Valuation at 95% Tax Collections	\$0.32	
Based on Estimate of Value as of July 1, 2022 at 95% Tax Collections	\$0.26	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum		
Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2044):		
Based on 2022 Assessed Valuation at 95% Tax Collections	\$0.33	
Based on Estimate of Value as of July 1, 2022 at 95% Tax Collections	\$0.27	
Single-Family Homes (including 92 homes under construction) as of July 1, 2022	806	

- (a) Represents the certified assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Hunt County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2022, through July 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined). Funds in the Utility System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined).
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined). Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, such as the Bonds.
- (f) See "RISK FACTORS – Operating Funds."
- (g) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations."
- (h) See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

OFFICIAL STATEMENT
relating to
CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
(A Political Subdivision of the State of Texas, located within Hunt County)

\$4,805,000
Unlimited Tax Utility Bonds
Series 2022

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Caddo Mills Municipal Management District No. 1 (the "District") of its \$4,805,000 Unlimited Tax Utility Bonds, Series 2022 (the "Bonds").

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas (the "State"), including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Chapter 375, Local Government Code, as amended; (iii) an election held within the District on May 2, 2020; (iv) an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on the date of the sale of the Bonds (the "Bond Order"); and (v) an order issued by the Texas Commission on Environmental Quality (the "TCEQ").

Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Bond Order, except as otherwise indicated herein.

This Official Statement also includes information about the District, the Developer (herein defined), and certain reports and other statistical data. The summaries and references to all documents, statutes, reports, and other instruments referred to herein do not purport to be complete, comprehensive, or definitive and each summary and reference is qualified in its entirety by reference to each such document, statute, report, or instrument.

RISK FACTORS

General

The Bonds, which are obligations of the District and not of the State of Texas; Hunt County, Texas (the "County"); the City of Caddo Mills, Texas (the "City"); or any political subdivision other than the District, will be secured by a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. Therefore, the ultimate security for payment of the principal of and interest on the Bonds depends upon the ability of the District to collect from the property owners within the District taxes levied against all taxable property located within the District, or, in the event taxes are not collected and foreclosure proceedings are instituted by the District, upon the value of the taxable property with respect to taxes levied by the District and by other taxing authorities. The District makes no representations that over the life of the Bonds the property within the District will maintain a value sufficient to justify continued payment of taxes by the property owners. The potential increase in taxable valuation of District property is directly related to the economics of the residential housing industry, not only due to general economic conditions, but also due to the particular factors discussed below. See "DEVELOPMENT OF THE DISTRICT," "TAX DATA," and "TAXING PROCEDURES."

Factors Affecting Taxable Values and Tax Payments

Economic Factors: The District is situated in the Dallas/Fort Worth, Texas area and the rate of development of the District is directly related to the vitality of the residential housing industry in said metropolitan area. New residential housing construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of home construction activity would restrict the growth of property values in the District. The District cannot predict the pace or magnitude of any future development or home construction in the District.

Developer: There is no commitment by, or legal requirement of, the Developer, or any other landowner in the District to proceed at any particular rate or according to any specified plan with the development of land in the District, or of any homebuilder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home construction

activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See “DEVELOPMENT OF THE DISTRICT,” “THE DEVELOPER,” and “TAX DATA – Principal Taxpayers.”

Dependence on Principal Taxpayers and the Developer: The top principal taxpayers represent approximately 7.89% (\$14,483,600) of the 2022 Assessed Valuation, which represents ownership as of January 1, 2022. The Developer represents \$11,092,330 or 6.05% of such value. If these or other principal taxpayers were to default in the payment of taxes in an amount which exceeds the District’s debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds would be dependent on its ability to enforce and liquidate its tax lien, which is a time-consuming process, or to sell tax anticipation notes. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate, hindering growth and leading to further defaults in the payment of taxes. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its debt service funds. See “TAX DATA – Principal Taxpayers” and “TAXING PROCEDURES – Levy and Collection of Taxes.”

Maximum Impact on District Tax Rates: Assuming no further development or home construction, 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 2022 Assessed Valuation of property located within the District is \$183,476,034 and the Estimate of Value as of July 1, 2022 is \$227,810,000. See “TAX DATA.”

After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds is \$571,475 (2044) and the average annual debt service requirement on the Bonds and the Outstanding Bonds is \$547,680 (2023-2047). Assuming no decrease to the 2022 Assessed Valuation, tax rates of \$0.33 and \$0.32 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively. Assuming no decrease from the Estimate of Value as of July 1, 2022, tax rates of \$0.27 and \$0.26 per \$100 of assessed valuation at 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively.

The District can make no representation that the taxable property values in the District will increase in the future or will maintain a value sufficient to support the proposed District tax rate or to justify continued payment of taxes by property owners.

Competitive Nature of Residential Housing Market

The residential housing industry in the Dallas-Fort Worth, Texas, area is very competitive, and the District can give no assurance that the building programs which are planned by any homebuilder(s) will be continued or completed. The respective competitive position of the homebuilder listed herein and any other developer or homebuilder(s) which might attempt future home building or development projects in the District, the sale of developed lots or in the construction and sale of single-family residential units, are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Tax Collection Limitations

The District’s ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on 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 foreclosure. The District’s ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court’s stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer’s right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other 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. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers’ right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy

proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the registered owners of the Bonds (the "Registered Owner(s)") have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the 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 the District with Texas law requirements, the District could file a voluntary bankruptcy petition under Chapter 9, thereby invoking the protection of the automatic stay until the bankruptcy court, after a hearing, dismisses the petition. A federal bankruptcy court is a court of equity and federal bankruptcy judges have considerable discretion in the conduct of bankruptcy proceedings and in making the decision of whether to grant the petitioning district relief from its creditors. While such a decision might be applicable, the concomitant delay and loss of remedies to the Registered Owner could potentially and adversely impair the value of the Registered Owner's claim.

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, 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 such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Marketability

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

Operating Funds

The District’s only sources of revenue to pay its operating expenses are advances from the Developer, proceeds from bond issues, and maintenance tax proceeds. The District does not receive water and sewer revenues. The District levied a 2021 maintenance tax at the rate of \$0.24 per \$100 of assessed valuation. The District’s Operating Fund balance as of August 10, 2022, was \$171,262. Attaining and maintaining a positive Operating Fund balance will depend upon (1) continued development, (2) increased amounts of maintenance tax revenue, and (3) funds from bond issues. In the event that funds are not made available by the Developer, the District will be required to levy a maintenance tax at a rate sufficient to fund its operating expenses. Such a tax, when added to the District’s debt service tax, may result in a total District tax in excess of similar developments and could adversely affect continued development of the District, as well as the willingness of taxpayers to pay taxes on their property.

Future Debt

At an election held within the District on May 2, 2020, voters of the District authorized the District’s issuance of: a total of \$58,098,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System (defined herein); \$25,361,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System (defined herein); \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The Bonds represent the first series of bonds issued by the District for the purpose of acquiring or constructing the Utility System. The District has previously issued one (1) series of bonds for the purpose of acquiring or constructing the Road System. After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: \$53,293,501 for the purpose of acquiring or constructing the Utility System; \$21,276,501 for the purpose of acquiring or constructing the Road System; \$87,147,752 for the purpose of refunding bonds issued by the District for the Utility System; and \$38,042,252 for the purpose of refunding bonds issued by the District for the Road System. The District may also issue any additional bonds as may hereafter be approved by both the Board of Directors and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See “THE BONDS – Issuance of Additional Debt.”

The District’s issuance of unlimited tax bonds authorized for the Utility System, such as the Bonds, shall be subject to approval by the TCEQ.

Following the issuance of the Bonds, the District will owe the Developer approximately \$7,245,000 for expenditures to construct the Utility System and approximately \$1,055,000 for its expenditures to construct the Road System. Such expenditures are expected to increase as development continues within the District. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property-valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Continuing Compliance with Certain Covenants

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

Approval of the Bonds

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

Environmental Regulations

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

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

Sanctions against a municipal utility district or other type of special purpose district for failure to comply with environmental laws and regulations may include a variety of civil and criminal enforcement measures, including assessment of monetary penalties, imposition of remedial requirements and issuance of injunctions to ensure future compliance. Environmental laws and compliance with environmental laws and regulations can increase the cost of planning, designing, constructing, and operating water production and wastewater treatment facilities. Environmental laws can also inhibit growth and development within the District. Further, changes in regulations occur frequently, and any changes that result in more stringent and costly requirements could materially impact the District.

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial, and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a nine-county Dallas-Fort Worth area (“1997 DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties—has been designated an attainment area under the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”).

However, a ten-county Dallas-Fort Worth area (“2008 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties – has been designated a “moderate” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline 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.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”) – Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a “marginal” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (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 2008 and 2015 DFW Areas 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 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 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the area’s economic growth and development.

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

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

Pursuant to the federal Safe Drinking Water Act (“SDWA”) and the EPA’s National Primary Drinking Water Regulations (“NPDWRs”), which are implemented by the TCEQ’s Water Supply Division, a municipal utility district’s provision of water for human consumption is subject to extensive regulation as a public water system. Municipal utility districts must generally provide treated water that meets the primary and secondary drinking water quality standards adopted by the TCEQ, the applicable disinfectant residual and inactivation standards, and the other regulatory action levels established under the agency’s rules. The EPA has established NPDWRs for more than ninety (90) contaminants and has identified and listed other contaminants which may require national drinking water regulation in the future.

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain nonstormwater discharges into surface water in the state. It has a 5-year permit term, and is then subject to renewal. Moreover, the Clean Water Act (“CWA”) and Texas Water Code require municipal wastewater treatment plants to meet secondary treatment effluent limitations and more stringent water quality-based limitations and requirements to comply with the Texas water quality standards. Any water quality-based limitations and requirements with which a municipal utility district must comply may have an impact on the municipal utility district’s ability to obtain and maintain compliance with TPDES permits.

The TCEQ issued the General Permit for Phase II (Small) Municipal Separate Storm Sewer Systems (the “MS4 Permit”) on January 24, 2019. The MS4 Permit authorizes the discharge of stormwater to surface water in the state from small municipal separate storm sewer systems. While the District is currently not subject to the MS4 permit, if the District’s inclusion were required at a future date, the District could incur substantial costs to develop, implement, and maintain the necessary plans as well as to install or implement best management practices to minimize or eliminate unauthorized pollutants that may otherwise be found in stormwater runoff in order to comply with the MS4 Permit.

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

In 2015, the EPA and USACE promulgated a rule known as the Clean Water Rule (“CWR”) aimed at redefining “waters of the United States” over which the EPA and USACE have jurisdiction under the CWA. The CWR significantly expanded the scope of the federal government’s CWA jurisdiction over intrastate water bodies and wetlands. The CWR was challenged in numerous jurisdictions, including the Southern District of Texas, causing significant uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction.

On September 12, 2019, the EPA and USACE finalized a rule repealing the CWR, thus reinstating the regulatory text that existed prior to the adoption of the CWR. This repeal officially became final on December 23, 2019, but the repeal has itself become the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contains a new definition of “waters of the United States.” The stated purpose of the NWPR is to restore and maintain the integrity of the nation’s waters by maintaining federal authority over the waters Congress has determined should be regulated by the federal government, while preserving the states’ primary authority over

land and water resources. The new definition outlines four categories of waters that are considered “waters of the United States,” and thus federally regulated under the CWA: (i) territorial seas and traditional navigable waters; (ii) perennial and intermittent tributaries to territorial seas and traditional navigable waters; (iii) certain lakes, ponds, and impoundments of jurisdictional waters; and (iv) wetlands adjacent to jurisdictional waters. The new rule also identifies certain specific categories that are not “waters of the United States,” and therefore not federally regulated under the CWA: (a) groundwater; (b) ephemeral features that flow only in direct response to precipitation; (c) diffuse stormwater runoff and directional sheet flow over upland; (d) certain ditches; (e) prior converted cropland; (f) certain artificially irrigated areas; (g) certain artificial lakes and ponds; (h) certain water-filled depressions and certain pits; (i) certain stormwater control features; (j) certain groundwater recharge, water reuse, and wastewater recycling structures; and (k) waste treatment systems. The NWPR became effective June 22, 2020 and is currently the subject of ongoing litigation.

On June 9, 2021, the EPA and USACE announced plans to further revise the definition of “waters of the United States.” On August 30, 2021, the United States District Court for the District of Arizona issued an order vacating the NWPR while the EPA and USACE make plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period ending on February 7, 2022. Due to existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

Infectious Disease Outlook – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus (“COVID-19”) to be a public health emergency. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in the State of Texas because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State of Texas and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in the State of Texas. The Governor retains the right to impose additional restrictions on activities if needed to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible at <https://gov.texas.gov/>. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this Official Statement.

The District has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however, the District cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

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.

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

Future and Proposed Legislation

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.

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 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 issuer which is recovered by the issuer 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 provider of the Policy (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 "MUNICIPAL BOND INSURANCE" and "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 nor the Initial Purchaser 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" and "RATINGS" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

THE BONDS

General

The following is a description of certain terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order of the Board authorizing the issuance of the Bonds. Copies of the Bond Order may be obtained from the District upon request and payment of the costs for duplication thereof. The Bond Order authorizes the issuance and sale of the Bonds and prescribes the terms, conditions, and provisions for the payment of the principal of and interest on the Bonds by the District.

The Bonds are dated September 1, 2022. The Bonds will mature on September 1 of the years and in principal amounts and will bear interest from the initial date of delivery (on or about September 29, 2022) (the “Date of Delivery”), at the rates per annum, set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable on March 1, 2023, and semiannually thereafter on each September 1 and March 1 until maturity or redemption.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 of principal amount for any one maturity and will be initially registered and delivered only to The Depository Trust Company, New York, New York (“DTC”) in its nominee name of Cede & Co., pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners thereof. Initially, principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”), the Paying Agent/Registrar to Cede & Co., as registered owner. DTC will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See “Book-Entry-Only System” below.

In the event the Book-Entry-Only System is discontinued and physical bond certificates issued, interest on the Bonds shall be payable by check mailed by the Paying Agent/Registrar on or before each interest payment date, to the registered owners (“Registered Owners”) as shown on the bond register (the “Register”) kept by the Paying Agent/Registrar at the close of business on the 15th calendar day of the month immediately preceding each interest payment date (“Record Date”) to the address of such Registered Owner as shown on the Register, or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and the Registered Owner at the risk and expense of such Registered Owner.

If the date for payment of the principal of or interest on any Bond is not a business day, then the date for such payment shall be the next succeeding business day without additional interest and with the same force and effect as if made on the specified date for such payment.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District 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 DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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 ("Direct Participants") deposit with DTC.

DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of AA+ from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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).

Redemption proceeds, principal, and interest 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 the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

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

The information in the section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy 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 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.

Successor Paying Agent/Registrar

Provisions are made in the Bond Order for replacing the Paying Agent/Registrar. If the District replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the District shall be a commercial bank; a trust company organized under the laws of the State of Texas; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Registration, Transfer and Exchange

In the event the Book-Entry-Only system is discontinued, the Bonds are transferable only on the bond register kept by the Paying Agent/Registrar upon surrender at the principal payment office of the Paying Agent/Registrar in Dallas, Texas. A Bond may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. At any time after the date of initial delivery, any Bond may be transferred upon its presentation and surrender at the designated offices of the Paying Agent/Registrar, duly endorsed for transfer, or accompanied by an assignment duly executed by the Registered Owner. The Bonds are exchangeable upon presentation at the designated office(s) of the Paying Agent/Registrar, for an equal principal amount of Bonds of the same maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Registered Owner or assignee of the Registered Owner within not more than three (3) business days after the receipt by the Paying Agent/Registrar of the request in proper form to transfer or exchange the Bonds. New Bonds registered and delivered in an exchange or transfer shall be in the denomination of \$5,000 in principal amount for a Bond, or any integral multiple thereof for any one maturity and shall bear interest at the same rate and be for a like aggregate principal or maturity amount as the Bond or Bonds surrendered for exchange or transfer. Neither the Paying Agent/Registrar nor the District is required to issue, transfer, or exchange any Bond during a period beginning at the opening of business on a Record Date and ending at the close of business on the next succeeding Interest Payment Date or to transfer or exchange any Bond selected for redemption, in whole or in part, beginning fifteen (15) calendar days prior to, and ending on the date of the mailing of notice of redemption, or where such redemption is scheduled to occur within thirty (30) calendar days. No service charge will be made for any transfer or exchange, but the District or Paying Agent/Registrar may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

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 to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the District and the Paying

Agent/Registrar of security or indemnity which they determine to be sufficient to hold them harmless. The District may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

Redemption Provisions

Optional Redemption

Bonds maturing on September 1, 2030, 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, 2029, or on any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. Notice of the exercise of the reserved right of redemption will be given at least thirty (30) days prior to the redemption date by sending such notice by first class mail to the Registered Owner of each Bond to be redeemed in whole or in part at the address shown on the bond register. If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by such random method as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity. The Registered Owner of any Bond, all, or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption

The Bonds maturing on September 1 in the years 2033, 2035, 2039, 2041, 2044 and 2047 are term bonds (the "Term Bonds") and 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"), and in the principal amount set forth in the following schedule:

\$340,000 Term Bonds Maturing on September 1, 2033

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2032	\$ 165,000
September 1, 2033 (Maturity)	\$ 175,000

\$370,000 Term Bonds Maturing on September 1, 2035

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2034	\$ 180,000
September 1, 2035 (Maturity)	\$ 190,000

\$440,000 Term Bonds Maturing on September 1, 2039

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2038	\$ 215,000
September 1, 2039 (Maturity)	\$ 225,000

\$470,000 Term Bonds Maturing on September 1, 2041

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2040	\$ 230,000
September 1, 2041 (Maturity)	\$ 240,000

\$785,000 Term Bonds Maturing on September 1, 2044

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2042	\$ 250,000
September 1, 2043	\$ 260,000
September 1, 2044 (Maturity)	\$ 275,000

\$890,000 Term Bonds Maturing on September 1, 2047

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 285,000
September 1, 2046	\$ 295,000
September 1, 2047 (Maturity)	\$ 310,000

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

Record Date for Interest Payment

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

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, and certain fees. Tax proceeds, after deduction for collection costs, will be placed in the Utility System Debt Service Fund and used solely to pay principal of and interest on the Bonds, and additional bonds payable from taxes which may be issued for the Utility System.

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

Authority for Issuance

The Bonds are issued pursuant to (i) Article XVI, Section 59 of the Texas Constitution and the general laws of the State, including particularly Chapters 49 and 54 of the Texas Water Code, as amended; (ii) Chapter 375, Local Government Code, as amended; (iii) an election held within the District on May 2, 2020; (iv) the Bond Order; and (v) an order issued by the TCEQ.

Voters of the District authorized the following principal amount of bonds to be issued by the District:

<u>Election Date</u>	<u>Purpose</u>	<u>Amount Authorized</u>	<u>Issued to Date</u>	<u>Remaining Authorized but Unissued</u>
5/2/2020	Utility System	\$ 58,098,501	\$ 4,805,000 (a)	\$ 53,293,501
5/2/2020	Utility System Refunding	87,147,752	-	87,147,752
5/2/2020	Road System	25,361,501	4,085,000	21,276,501
5/2/2020	Road System Refunding	38,042,252	-	38,042,252
		<u>\$ 208,650,005</u>	<u>\$ 8,890,000</u>	<u>\$ 199,760,005</u>

(a) The Bonds.

Issuance of Additional Debt

The District may issue additional bonds with the approval of the TCEQ (with respect to the bonds issued for the Utility System) necessary to provide improvements and facilities consistent with the purposes for which the District was created. The Bonds represent the first series of bonds issued by the District for the purpose of acquiring or constructing the Utility System.

After issuance of the Bonds, the following principal amounts of unlimited tax bonds will remain authorized but unissued: a total of \$53,293,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"); \$21,276,501 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); \$87,147,752 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; and \$38,042,252 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

The District may also issue any additional bonds as may hereafter be approved by both the Board and voters of the District as well as certain additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. The Bond Order imposes no limitation on the amount of additional parity bonds which may be issued by the District (if authorized by the District's voters and, in the case of bonds issued for the Utility System, approved by the TCEQ).

Based on present engineering cost estimates and development plans, in the opinion of the District's Engineer (defined herein), the remaining total \$53,293,501 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System will be sufficient to fully finance utility facilities to serve the remaining undeveloped but developable land within the District and the remaining \$21,276,501 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Road System will be sufficient to fully finance road facilities to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developer approximately \$7,245,000 for expenditures to construct the Utility System and approximately \$1,055,000 for its expenditures to construct the Road System. Such expenditures are expected to increase as development continues within the District.

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the Road System. At the time of delivery of the Bonds, \$4,085,000 principal amount of such previously issued debt will remain outstanding (the "Outstanding Bonds").

No Arbitrage

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

Dissolution

The District lies wholly within the city limits of the City of Caddo Mills, Texas (the "City"). Under existing law, the District may be dissolved by the City. The City may not dissolve the District until (1) the development of 90% of all lots within the District or (2) the District has issued all of its ad valorem bonds and reimbursed the Developer, to the maximum extent permitted by law, for the Developer's cost in installing and constructing improvements within the District. If the District is dissolved, the City must assume the District's assets and obligations (including the Bonds) on the effective date of the dissolution of the District.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide for the consolidation of its assets, such as cash and the utility system, with the water and

wastewater system of districts with which it is consolidating as well as its liabilities (which would include the Bonds). No representation is made concerning the likelihood of consolidation, but the District currently has no plans to do so.

Funds

The Bond Order creates the District's fund for debt service on the Bonds and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). Eighteen (18) months of capitalized interest on the Bonds will be deposited from the proceeds from sale of the Bonds into the Utility System Debt Service Fund. The Utility System Debt Service Fund, which constitutes a trust fund for the benefit of the owners of the Bonds and any additional unlimited tax bonds issued by the District for the Utility System, is to be kept separate from all other funds of the District and is to be used for payment of debt service on the Bonds and any of the District's other duly authorized bonds issued for the Utility System payable in whole or in part from taxes. Amounts on deposit in the Utility System Debt Service Fund may also be used to pay the fees and expenses of the Paying Agent/Registrar, to defray the expenses of assessing and collecting taxes levied for payment of interest on and principal of the Bonds and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System.

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) for obligations of the District payable from revenues or from ad valorem taxes or both or with a commercial bank or trust company designated in the proceedings authorizing such discharge, 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, including obligations that are unconditionally guaranteed by 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. The foregoing obligations may be in book entry form and shall 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. If any of such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Bond Order.

There is no assurance that the current law will not be changed in a manner which would permit other investments to be made with amounts deposited to defease the Bonds. Because the Bond Order does not contractually limit such investments, Registered Owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as currently permitted under Texas law. There is also no assurance that any investment held for such discharge will maintain its rating.

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.

Registered Owners' Remedies

If the District defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Bond Order, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Bond Order, the Registered Owners have the right to seek of a writ of mandamus issued by a court of competent jurisdiction requiring the District and its officials to observe and perform the covenants, obligations, or conditions prescribed in the Bond Order. 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. Further, there is no trust indenture or trustee, and all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the Registered Owners.

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

Amendments to the Bond Order

The District may, without the consent of or notice to any Registered Owners, amend the Bond Order in any manner not detrimental to the interests of the Registered Owners, including the curing of any ambiguity, inconsistency or formal defect or omission therein. In addition, the District may, with the written consent of the Registered Owners of a majority in aggregate principal amount of the Bonds then outstanding affected thereby, amend, add to or rescind any of the provisions of the Bond Order, provided that, without the consent of the Registered Owners of all of the Bonds affected, and provided that it has not failed to make a timely payment of principal of or interest on the Bonds, no such amendment, addition or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, the redemption price thereof, or the rate of interest thereon, change the place or places at, or the coin or currency in which any Bond or the interest thereon is payable, or in any other way modify the terms or sources of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) modify any of the provisions of the Bond Order relating to the amendment thereof, except to increase any percentage provided thereby or to provide that certain other provisions of the Bond Order cannot be modified or waived without the consent of the holder of each Bond

affected thereby. In addition, a state, consistent with federal law, may, in the exercise of its police power, make such modifications in the terms and conditions of contractual covenants relating to the payment of indebtedness of a political subdivision as are reasonable and necessary for attainment of an important public purpose.

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse the Developer for the improvements and related costs as set out below. In addition, proceeds from the Bonds will be used to pay developer interest, eighteen (18) months of capitalized interest, and certain other costs associated with the issuance of the Bonds.

Construction Costs

A. Developer Contribution Items	
1. None	\$ -
Total Developer Contribution Items	\$ -
B. District Items	
1. 0.50 MG Elevated Storage Tank	\$ 1,613,125
2. Off-Site Water Lines	1,169,968
3. Engineering and Testing (Item 1)	594,060
4. Land Acquisition	<u>104,045</u>
Total District Items	\$ 3,481,198
Total Construction Costs	\$ 3,481,198

Non-Construction Costs

A. Legal Fees	\$ 106,100
B. Fiscal Agent Fees	96,100
C. Interest	
Capitalized Interest (18 Months)	339,638
Developer Interest	517,951
D. Bond Discount (3.00%)	144,150
E. Bond Issuance Expense	34,258
F. Bond Application Report	48,050
G. Attorney General Fee (0.10% or \$9,500 max)	4,805
H. TCEQ Bond Issuance Fee (0.25%)	12,013
I. Contingency (a)	<u>20,737</u>
Total Non-Construction Costs	\$ 1,323,802

TOTAL BOND ISSUE REQUIREMENT	\$ 4,805,000
-------------------------------------	---------------------

(a) Represents the difference between the estimated and actual Capitalized Interest.

The actual amounts to be reimbursed by the District and the non-construction costs will be finalized after the sale of the Bonds and completion of agreed-upon procedures by the District's auditor. The surplus funds, if any, may be expended for any lawful purpose for which surplus construction funds may be used, limited, however, to the purposes for which the Bonds were issued.

The Engineer has advised the District that proceeds of the sale of the 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. 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 DISTRICT

General

The District is a municipal management district created by an order of the TCEQ, dated August April 2, 2018. The rights, powers, privileges, authority, and functions of the District are established by the general laws of the State of Texas pertaining to special districts, particularly Chapters 49 and 54 of the Texas Water Code, as amended, and Chapter 375, Local Texas Government Code, as amended, and Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution, as amended. The District is subject to the continuing supervision of the TCEQ.

The District is empowered, among other things, to finance, purchase, construct, operate and maintain all works, improvements, facilities, and plants necessary for the supply and distribution of water; the collection, transportation, and treatment of wastewater; the control and diversion of storm water; and roads located inside its boundaries. The District may issue bonds and other forms of indebtedness to purchase or construct such facilities. The District may also provide solid waste disposal and collection services. The District is also empowered to establish, operate, and maintain fire-fighting facilities, independently or with one or more conservation and reclamation districts, after approval by the TCEQ and the voters of the District.

Description and Location

The District is located in the County and includes three tracts of land that total approximately 561.98 acres. The tract of land west of Farm-to-Market 36 ("FM 36") is approximately 100.673 acres and is located south of the intersection of Highway 66 and FM 36 ("Tract 1"). The tract of land to the east of FM 36 is approximately 353.607 acres and is located north of the intersection of Farm-to-Market 679 and Interstate Highway 30 ("Tract 2"). The tract of land west of FM 36 and north of Tract 1 is approximately 107.697 acres. The District is located wholly within the city limits of the City and within the boundaries of Caddo Mills Independent School District ("CMISD").

Management of the District

The District is governed by the Board consisting of five directors, who have control over and management supervision of all affairs of the District. All of the Directors own property within the District. The directors serve four-year staggered terms. Elections are held in May of even-numbered years. The current members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Kristen Dye	President	2026
Matt McMahan	Vice President	2026
Vacant	Secretary	2026
Jacob Courville	Assistant Secretary	2026
Victor Ling	Assistant Secretary	2026

Investment Policy

The District has adopted an Investment Policy (the "Policy") as required by the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "Act"). The District's goal is to preserve principal and maintain liquidity in a diversified portfolio while securing a competitive yield on its portfolio. Funds of the District are to be invested only in accordance with the Policy. The Policy states that the funds of the District may be invested in short term obligations of the U.S. or its agencies or instrumentalities, in certificates of deposits insured by the Federal Deposit Insurance Corporation and secured by collateral authorized by the Act, and in TexPool and TexStar, which are public funds investment pools rated in the highest rating category by a nationally recognized rating service. The District does not currently own, nor does it anticipate, the inclusion of long-term securities or derivative products in the portfolio.

Consultants

Although the District does not have a general manager or any other full-time employees, it has contracted for bookkeeping, tax assessing and collecting, auditing, engineering, and legal services as follows:

Bond Counsel and General Counsel: The District has engaged Coats Rose, P.C., Dallas, Texas, as general counsel to the District and as bond counsel (“Bond Counsel”) in connection with the issuance of the Bonds. The fees to be paid Bond Counsel in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds. See “LEGAL MATTERS.”

Disclosure Counsel: The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, to serve as “Disclosure Counsel” to the District in connection with the issuance of the Bonds. The fee to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds is contingent on the issuance, sale and delivery of the Bonds.

Financial Advisor: Robert W. Baird & Co. Incorporated is engaged as financial advisor to the District in connection with the issuance of the Bonds (the “Financial Advisor”). 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 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.

Tax Assessor/Collector: The tax assessor/collector for the District is Randy L. Wineinger, the Hunt County Tax Assessor/Collector (the “Tax Assessor/Collector”).

Bookkeeper: The District’s bookkeeper is L&S District Services, LLC (the “Bookkeeper”).

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 TCEQ. A copy of the District’s audit prepared by Mark C. Eyring, CPA, PLLC for the fiscal year ended April 30, 2021, is included as “APPENDIX A” to this Official Statement. The District engaged Mark C. Eyring, CPA, PLLC to audit its financial statements for the fiscal year ended April 30, 2022.

Engineer: The District’s engineer is Kimley-Horn and Associates, Inc. (the “Engineer”).

[Remainder of this page intentionally left blank.]

DEVELOPMENT OF THE DISTRICT

Status of Development within the District

The District is being developed as the single-family residential communities of Caddo Downs Estates, Trailstone, and Stonehaven Estates. As of July 1, 2022, approximately 817 single-family residential lots (216.97 acres) have been developed as Caddo Downs Estates, Phases 1 and 2 (389 lots and approximately 100.65 acres) and Trailstone, Phases 1, 2 and 3 (428 lots and approximately 116.32 acres). In addition, approximately 202 acres (712 lots) are under development as Trailstone, Phases 4 and 5 and Stonehaven Estates, Phases 1 and 2. The remaining land within the District is comprised of approximately 13.87 acres reserved for a school site, and approximately 129.1 undeveloped but developable acres planned for future development of single-family residential lots.

As of July 1, 2022, the District consisted of approximately 714 completed homes (700 occupied and 14 unoccupied), approximately 92 homes under construction, and 11 vacant developed lots.

The table below summarizes the status of development and land use within the District as of July 1, 2022.

Single-Family Residential	Acreage	Section Lots	Homes Completed	Homes Under Construction	Vacant Lots
Caddo Downs Estates, Phase 1	48.27	187	183	3	1
Caddo Downs Estates, Phase 2	52.38	202	202	-	-
Trailstone, Phase 1	52.36	155	146	-	9
Trailstone, Phase 2	35.88	157	156	-	1
Trailstone, Phase 3	28.08	116	27	89	-
Totals	216.97	817	714	92	11
Future School Sites	13.87				
Under Development	202.00				
Remaining Developable (a)	129.14				
Total	561.98				

(a) Reserved for future single-family residential development.

Homebuilder within the District

D.R. Horton is the sole homebuilder within the District. Homes within the District range in price from approximately \$282,490 to approximately \$380,490 and in size from approximately 1,583 square feet to approximately 2,913 square feet.

[Remainder of this page intentionally left blank.]

PHOTOGRAPHS TAKEN IN THE DISTRICT
(August 2022)



PHOTOGRAPHS TAKEN IN THE DISTRICT
(August 2022)



THE DEVELOPER

Role of the Developer

In general, the activities of a developer in a municipal utility district or other type of special purpose 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, developers, or other third parties. In most instances, the developer will be required to pay up to thirty percent (30%) of the cost of constructing certain of the water, wastewater, and drainage facilities in a municipal utility district municipal utility district or other type of special purpose district pursuant to the rules of the TCEQ. The relative success or failure of a developer to perform such activities in development of the property within a municipal utility district municipal utility district or other type of special purpose district may have a profound effect on the security of the unlimited tax 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 municipal utility district or other type of special purpose district during the development phase of the property.

Prospective purchasers of the Bonds should note that the prior real estate experience of a developer should not be construed as an indication that further development within the District will occur, or construction of taxable improvements upon property within the District will occur, or that marketing or leasing of taxable improvements constructed upon property within the District will be successful. Circumstances surrounding development within the District may differ from circumstances surrounding development of other land in several respects, including the existence of different economic conditions, financial arrangements, homebuilders, geographic location, market conditions, and regulatory climate.

Neither the Developer (herein defined), nor any affiliate entities, are obligated to pay principal of or interest on the Bonds. Furthermore, neither the Developer, nor any affiliate entities, have a binding commitment to the District to carry out any plan of development, and the furnishing of information relating to the proposed development by the Developer or affiliate entities should not be interpreted as such a commitment. Prospective purchasers are encouraged to inspect the District in order to acquaint themselves with the nature of development that has occurred or is occurring within the District's boundaries.

Developer

D.R. Horton-Texas, LTD, a Texas limited partnership ("D.R. Horton" or the "Developer"), is the sole developer of land within the District. D.R. Horton is developing the single-family residential subdivisions of Caddo Downs Estates, Trailstone and Stonehaven Estates.

As of July 1, 2022, D.R. Horton owned approximately 129 developable acres and approximately 11 vacant developed lots.

D.R. Horton is a subsidiary of and controlled by D.R. Horton, Inc. D.R. Horton, Inc. is a publicly traded corporation whose stock is listed on the New York Stock Exchange. Audited financial statements for D.R. Horton, Inc. can be found online at <https://investor.drhorton.com>. D.R. Horton, Inc. is subject to the information requirements of the Securities Exchange Act of 1934, as amended, and in accordance therewith files reports and other information with the United States Securities and Exchange Commission ("SEC"). Reports, proxy statements and other information filed by D.R. Horton, Inc. can be inspected at the office of the SEC at Judiciary Plaza, Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549. Copies of such material can be obtained from the Public Reference Section of the SEC at 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. Copies of the above reports, proxy statements and other information may also be inspected at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy information statements and other information regarding registrants that file electronically with the SEC.

Certain financial information concerning D.R. Horton is included as part of the consolidated financial statements of D.R. Horton, Inc. However, D.R. Horton, Inc. is not legally obligated to provide funds for the

development of the District, to provide funds to pay taxes on property in the District owned by D.R. Horton, or to pay any other obligations of D.R. Horton. Further, neither D.R. Horton nor D.R. Horton, Inc. is responsible for, is liable for or has made any commitment for payment of the Bonds or other obligations of the District, and the inclusion of such financial statements and description of financial arrangements by reference herein should not be construed as an implication to that effect. Neither D.R. Horton nor D.R. Horton, Inc. has any legal commitment to the District or owners of the Bonds to continue development of the land within the District and D.R. Horton may sell or otherwise dispose of its property within the District, or any other assets, at any time. Further, the financial condition of D.R. Horton and D.R. Horton, Inc. is subject to change at any time.

Developer Financing

To date, the Developer has cash financed the development activity within the District.

THE SYSTEM

General

The District is constructing the water, sewer and drainage facilities (the “Utility System”) and roadway improvements to serve the District. According to the Engineer, the Utility System and the Road System are being designed in accordance with accepted engineering practices and the requirements of all governmental agencies having regulatory or supervisory jurisdiction over the construction and operation of such facilities, including, among others, the TCEQ, the City, the County, and Texas Department of Transportation (“TxDOT”). According to the Engineer, the design of such facilities has been approved by all required governmental agencies, the City, and the TCEQ.

Description of the System

- Water Supply and Distribution -

The District’s water service is provided by the City. The City purchases its water from the City of Greenville; therefore, the City of Greenville delivers the necessary water supply to the District’s water distribution system.

The District constructed the water supply and distribution system, as well as necessary perimeter and offsite facilities to serve the water supply and distribution system. The District’s water supply and distribution system is dedicated to and owned, maintained, and operated by the City. The District’s water supply is capable of serving 1,000 equivalent single-family connections (“ESFCs”), which is sufficient to serve the approximately 817 ESFCs currently active within the District.

According to the Engineer, the water supply and distribution system and improvements are being designed in accordance with applicable design criteria as established by the TCEQ and the City.

- Sanitary Sewer Collection -

The wastewater generated by development within the District naturally flows by gravity through internal sanitary sewer lines constructed by the District to the City’s existing sanitary sewer lines. Once completed, the District’s wastewater facilities are dedicated to and owned, maintained, and operated by the City. According to the Engineer, all wastewater facilities are being designed in accordance with TCEQ regulations.

- Storm Drainage -

Stormwater runoff within the District drains into a system of collector lines via curbs and gutters. Such collector lines convey flow within a pipe system to existing major creeks. Once completed, the District’s storm drainage improvements will be dedicated to and owned, maintained, and operated by the City. According to the Engineer, all storm drainage improvements are being designed in accordance with design criteria established by the County, the City, TxDOT, and the TCEQ. The District maintains and operates the District’s storm drainage system.

- Roads -

Construction of the District’s Road System is subject to certain regulation by the County and TxDOT. The roads in the District are constructed with concrete pavement and curbs and gutter roadways. Remaining streets provide local interior service within the District. The Road System is being constructed by the District and once complete, will be dedicated to and owned and maintained by the City.

Floodplain

The Flood Insurance Rate Maps (“FIRMs”) provided by the Federal Emergency Management Agency (“FEMA”) indicates that approximately 5 acres within the District are located within the floodplain Zone “A”. An onsite

drainage pipe system is being designed within the District to reclaim the Zone “A” floodplain to convey onsite drainage to existing major creeks.

[Remainder of this page intentionally left blank.]

DISTRICT DEBT

2022 Assessed Valuation	\$ 183,476,034	(a)
Estimate of Value as of July 1, 2022.....	\$ 227,810,000	(b)
Direct Debt		
The Outstanding Bonds	\$ 4,085,000	
The Bonds	<u>4,805,000</u>	
Total.....	\$ 8,890,000	
Estimated Overlapping Debt	<u>\$ 24,424,881</u>	(c)
Total Direct and Estimated Overlapping Debt.....	<u>\$ 33,314,881</u>	(c)
Direct Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	4.85	%
As a Percentage of Estimate of Value as of July 1, 2022.....	3.90	%
Direct and Estimated Overlapping Debt Ratios:		
As a Percentage of 2022 Assessed Valuation	18.16	%
As a Percentage of Estimate of Value as of July 1, 2022.....	14.62	%
Utility System Debt Service Fund Balance (as of closing of the Bonds)	\$ 360,375	(d)
Road System Debt Service Fund Balance (as of August 10, 2022)	\$ 169,681	(e)
General Operating Fund Balance (as of August 10, 2022)	\$ 171,262	(f)
2022 Tax Rate		
Utility System Debt Service.....	\$0.05	
Road System Debt Service.....	0.12	
Maintenance and Operations	<u>\$0.17</u>	
Total.....	\$0.34	(g)
Average Annual Debt Service Requirement on the		
Bonds and the Outstanding Bonds (2023–2047)	\$ 547,680	(h)
Maximum Annual Debt Service Requirement on the		
Bonds and the Outstanding Bonds (2044)	\$ 571,475	(h)
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average		
Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2023–2047):		
Based on 2022 Assessed Valuation at 95% Tax Collections.....	\$0.32	
Based on Estimate of Value as of July 1, 2022 at 95% Tax Collections	\$0.26	
Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum		
Annual Debt Service Requirement on the Bonds and the Outstanding Bonds (2044):		
Based on 2022 Assessed Valuation at 95% Tax Collections.....	\$0.33	
Based on Estimate of Value as of July 1, 2022 at 95% Tax Collections	\$0.27	
Single-Family Homes (including 92 homes under construction) as of July 1, 2022	806	

- (b) Represents the assessed valuation of all taxable property in the District as of January 1, 2022, provided by the Hunt County Appraisal District (the "Appraisal District"). See "TAX DATA" and "TAXING PROCEDURES."
- (b) Provided by the Appraisal District for informational purposes only, this amount is an estimate of the taxable value of all taxable property located within the District as of July 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2022, through July 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT – Direct and Estimated Overlapping Debt Statement."
- (d) Eighteen (18) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Funds in the Utility System Debt Service Fund are pledged only to pay the debt service on the Bonds and any other bonds issued for the purpose of acquiring or constructing the Utility System (hereinafter defined). Funds in the Utility System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined).
- (e) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road System Debt Service Fund. Funds in the Road System Debt Service Fund are pledged only to pay the debt service on bonds issued for the purpose of acquiring or constructing the Road System (hereinafter defined). Funds in the Road System Debt Service Fund are not pledged to pay debt service on bonds issued for the purpose of acquiring or constructing the Utility System, such as the Bonds.
- (f) See "RISK FACTORS – Operating Funds."
- (g) The District is authorized to levy separate taxes for payment of debt service on bonds issued by the District for the Utility System and for payment of debt service on bonds issued for the Road System; both such taxes are unlimited as to rate or amount. See "TAX DATA – Tax Rate Calculations."
- (h) See "DISTRICT DEBT – Estimated Debt Service Requirement Schedule."

Estimated Debt Service Requirement Schedule

The following schedule sets forth the debt service requirements on the Outstanding Bonds and the principal and interest requirements on the Bonds.

Calendar Year	Outstanding Debt Service	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2022	\$ 51,719	\$ -	\$ -	\$ -	\$ 51,719
2023	218,438	-	208,814	208,814	427,252
2024	221,138	120,000	226,425	346,425	567,563
2025	218,738	125,000	218,625	343,625	562,363
2026	221,338	130,000	210,500	340,500	561,838
2027	223,838	135,000	202,050	337,050	560,888
2028	226,238	140,000	193,275	333,275	559,513
2029	228,538	145,000	184,175	329,175	557,713
2030	230,563	155,000	174,750	329,750	560,313
2031	232,300	160,000	164,675	324,675	556,975
2032	233,925	165,000	154,275	319,275	553,200
2033	235,438	175,000	147,675	322,675	558,113
2034	236,838	180,000	140,675	320,675	557,513
2035	237,713	190,000	133,475	323,475	561,188
2036	238,463	195,000	125,875	320,875	559,338
2037	239,088	205,000	118,075	323,075	562,163
2038	239,588	215,000	109,875	324,875	564,463
2039	239,963	225,000	101,275	326,275	566,238
2040	244,738	230,000	92,275	322,275	567,013
2041	244,238	240,000	82,500	322,500	566,738
2042	243,600	250,000	72,300	322,300	565,900
2043	242,300	260,000	61,675	321,675	563,975
2044	245,850	275,000	50,625	325,625	571,475
2045	244,100	285,000	38,938	323,938	568,038
2046	247,200	295,000	26,469	321,469	568,669
2047	-	310,000	13,563	323,563	323,563
Total	\$ 5,685,882	\$4,805,000	\$ 3,252,833	\$8,057,833	\$13,743,714

Average Annual Debt Service Requirements on the
Outstanding Bonds and the Bonds (2023-2047) \$ 547,680

Maximum Annual Debt Service Requirements on the
Outstanding Bonds and the Bonds (2044)..... \$ 571,475

[Remainder of this page intentionally left blank.]

Direct and Estimated Overlapping Debt Statement

Other governmental entities whose boundaries overlap the District have outstanding bonds payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed from information contained in *Texas Municipal Reports*, published by the Municipal Advisory Council of Texas, or other available information. 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 for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Jurisdiction	Outstanding Debt 6/30/2022	Overlapping	
		Percent	Amount
City of Caddo Mills	\$ 9,645,000	43.95%	\$ 4,239,164
Caddo Mills Independent School District	113,766,463	17.02%	19,358,070
Hunt County	11,065,000	1.70%	188,532
Hunt Memorial Hospital District	37,260,000	1.72%	639,115
Total Estimated Overlapping Debt			\$ 24,424,881
Direct Debt (a)			\$ 8,890,000
Total Direct and Estimated Overlapping Debt (a)			\$ 33,314,881

(a) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):

As a Percentage of 2022 Assessed Valuation	4.85	%
As a Percentage of Estimate of Value as of July 1, 2022	3.90	%

Direct and Estimated Overlapping Debt Ratios (a):

As a Percentage of 2022 Assessed Valuation	18.16	%
As a Percentage of Estimate of Value as of July 1, 2022	14.62	%

(a) Includes the Bonds.

[Remainder of this page intentionally left blank.]

TAXING PROCEDURES

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under "THE BONDS – Source of Payment." The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest any bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. Under State law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. See "TAX DATA – Maintenance and Operations Taxes." The District levied a total tax rate of \$0.34 per \$100 of assessed valuation for the 2022 tax year composed of the following: a maintenance and operations tax rate of \$0.17 per \$100 of assessed valuation; a Utility System debt service tax rate of \$0.05 per \$100 of assessed valuation; and a Road System debt service tax rate of \$0.12 per \$100 of assessed valuation. See "TAX DATA- Tax Rate Limitation."

Property Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the "Property Tax Code") specifies the taxing procedures of all political subdivisions of the State, 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 an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Hunt County Appraisal District (the "Appraisal District"). The Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Hunt County Appraisal Review Board (the "ARB"). The appraisal roll, as approved by the ARB, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; 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. 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 one hundred percent (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 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.

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

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

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 ARB, 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.

The Property Tax Code permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. The Property Tax Code permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all of such property would bring if sold as a unit to a purchaser who would continue the business. Provisions of the Property Tax Code are complex and are not fully summarized here. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation and the appraiser is required by the Property Tax Code to act on each claimant's right to the designation individually. A claimant may waive the special valuation as to taxation by one political subdivision while

claiming it for another. If a claimant receives the agricultural use designation and later loses it by changing the use of the property or selling it to an unqualified owner, the District can collect taxes based on the new use, including taxes for the previous three years for agricultural use, open space land and timberland.

Disaster Exemption

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

Tax Abatement

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, the County and the District, at the option and discretion of each entity, may enter into tax abatement agreements with owners of property within the zone. Prior to entering into a tax abatement agreement, each entity must adopt guidelines and criteria for establishing tax abatement which each entity will follow in granting tax abatement to owners of property. The tax abatement agreements may exempt from ad valorem taxation by each of the applicable taxing jurisdictions, including the District, for a period of up to ten (10) years, all or any part of any increase in the assessed valuation of property covered by the agreement over its assessed valuation in the year in which the agreement is executed on the condition that the property owner make specified improvements or repairs to the property in conformity with the terms of the tax abatement. Each taxing jurisdiction has discretion to determine terms for its tax abatement agreements without regard to the terms approved by the other taxing jurisdictions. At this time, the County has not designated any of the area within the District as a reinvestment zone.

District and Taxpayer Remedies

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

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

Rollback of Operation and Maintenance Tax Rate

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

Special Taxing Units

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

Developed Districts

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

Developing Districts

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

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2022 tax year, the District was classified as a Developing District by the Board. 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.

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 penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property 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, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties, and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

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 in which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the District, having the power to tax the property. The District's tax lien is on a parity with the tax liens of other such taxing units. A tax lien on real property takes priority over the claims 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 federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

TAX DATA

General

Taxable property within the District is subject to the assessment, levy, and collection by the District of an annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding 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 unlimited amount, for operation and maintenance purposes. The District levied a total tax rate of \$0.34 per \$100 of assessed valuation for the 2022 tax year composed of the following: a maintenance and operations tax rate of \$0.17 per \$100 of assessed valuation; a Utility System debt service tax rate of \$0.05 per \$100 of assessed valuation; and a Road System debt service tax rate of \$0.12 per \$100 of assessed valuation.

Tax Rate Limitation

Utility 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: \$1.00 per \$100 assessed taxable valuation.

Debt Service Taxes

The Board covenants in the Bond Order to levy and assess, for each year that all or any part of the Bonds remain outstanding and unpaid, a tax adequate to provide funds to pay the principal of and interest on the Bonds. In 2022, the District levied a Utility System debt service tax rate of \$0.05 per \$100 of assessed valuation and a Road System debt service tax rate of \$0.12 per \$100 of assessed valuation.

Upon closing and delivery of the Bonds, eighteen (18) months of capitalized interest on the Bonds will be deposited into the Utility System Debt Service Fund.

Maintenance and Operations Taxes

The Board has the statutory authority to levy and collect an annual ad valorem tax for maintenance of the District's improvements if such maintenance tax is authorized by vote of the District's electors. The Board is authorized by the District's voters to levy such maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation. Such tax, when levied, is in addition to taxes which the District is authorized to levy for paying principal of and interest on the Bonds and any parity bonds which may be issued in the future. In 2022, the District levied a tax rate of \$0.17 per \$100 of assessed valuation for maintenance and operations purposes. See "Tax Rate Distribution" below.

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 has contracted 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 twenty percent (20%) penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 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 Property Tax Code.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2020-2021 tax years:

Tax Year	Certified Taxable Value	Tax Rate	Adjusted Tax Levy	Collections Current Year	Current Year Ending 09/30	Collections June 30, 2022
2020	\$ 16,608,111	\$ 0.34	\$ 56,468	100.00%	2021	100.00%
2021	\$ 72,843,537	\$ 0.34	\$ 247,668	99.72%	2022	99.72%

Tax Rate Distribution

The following table sets out the components of the District's tax levy for the 2020-2022 tax years.

	2022	2021	2020
Utility System Debt Service	\$0.050	\$0.000	\$0.000
Road System Debt Service	0.120	0.100	0.000
Maintenance & Operations	<u>0.170</u>	<u>0.240</u>	<u>0.340</u>
Total	\$0.340	\$0.340	\$0.340

Analysis of Tax Base

The following represents the types of property comprising the District assessed taxable value for the 2020-2022 tax years.

Type of Property	2022 Assessed Taxable Valuation	2021 Assessed Taxable Valuation	2020 Assessed Taxable Valuation
Land	\$ 37,219,721	\$ 29,655,060	\$ 17,185,290
Improvements	153,268,214	44,188,110	203,680
Personal Property	444,080	154,000	-0-
Exemptions	<u>(7,455,981)</u>	<u>(1,153,633)</u>	<u>(780,859)</u>
Total	\$ 183,476,034	\$ 72,843,537	\$ 16,608,111

Principal Taxpayers

The following represents the principal taxpayers, type of property, and their assessed values as of January 1, 2022:

Taxpayer	Type of Property	Assessed Valuation 2022 Tax Roll	% of 2022 Assessed Valuation
D R Horton – Texas LTD (a)	Land & Improvements	\$11,092,330	6.05%
Homeowner	Land & Improvements	588,630	0.32%
Homeowner	Land & Improvements	360,280	0.20%
Homeowner	Land & Improvements	357,320	0.19%
Homeowner	Land & Improvements	355,690	0.19%
Homeowner	Land & Improvements	354,000	0.19%
Homeowner	Land & Improvements	345,930	0.19%
Homeowner	Land & Improvements	344,750	0.19%
Homeowner	Land & Improvements	342,640	0.19%
Homeowner	Land & Improvements	<u>342,030</u>	<u>0.19%</u>
		\$14,483,600	7.89%

(a) See "THE DEVELOPER."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of assessed taxable valuation that would be required to meet certain debt service requirements on the Bonds and the Outstanding Bonds if no growth in the District's tax base occurs beyond the 2022 Assessed Valuation (\$183,476,034) or the Estimate of Value as of July 1, 2022 (\$227,810,000). The calculations assume collection of 95% of taxes levied, the sale of the Bonds but not the sale of any additional bonds by the District.

Average Annual Debt Service Requirement on the

Outstanding Bonds and the Bonds (2023–2047).....	\$ 547,680
Debt Service Tax Rate of \$0.32 on the 2022 Assessed Valuation produces	\$ 557,767
Debt Service Tax Rate of \$0.26 on the Estimate of Value as of July 1, 2022 produces	\$ 562,691

Maximum Annual Debt Service Requirement on the

Outstanding Bonds and the Bonds (2044)	\$ 571,475
Debt Service Tax Rate of \$0.33 on the 2022 Assessed Valuation produces	\$ 575,197
Debt Service Tax Rate of \$0.27 on the Estimate of Value as of July 1, 2022 produces.....	\$ 584,333

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 a 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 – Direct and Estimated 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 an estimation of all 2021 taxes per \$100 of assessed valuation levied by such jurisdictions. No recognition is given to local assessments for civic association dues, emergency medical service contributions, fire department contributions or any other charges made by entities other than political subdivisions. No prediction can be made of the tax rates that will be levied in future years by the respective taxing jurisdictions.

Taxing Jurisdiction	2021 Tax Rate
City of Caddo Mills	\$0.546422
Caddo Mills Independent School District	1.460300
Hunt County	0.428379
Hunt Memorial Hospital District	0.235831
The District (a)	<u>0.340000</u>
Total	\$3.010932

(a) Represents the 2022 tax rate.

LEGAL MATTERS

Legal Opinions

Issuance of the Bonds is subject to the approving legal opinion of the Attorney General of Texas to the effect that the Bonds are valid and binding obligations of the District payable from an annual ad valorem tax levied without limit as to rate or amount upon all taxable property within the District. Issuance of the Bonds is also subject to the legal opinion of Bond Counsel that, based upon examination of the transcript of the proceedings incident to authorization and issuance of the Bonds, the Bonds are valid and legally binding obligations of the District payable from the sources and enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity, and are payable from annual ad valorem taxes, which are not limited by applicable law in rate or amount, levied against all property within the District which is not exempt from taxation by or under applicable law. The legal opinion will further state that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing statutes, regulations, published rulings and court decisions as described below under “TAX MATTERS.” The legal opinion of Bond Counsel will be printed on the Bonds, if certificated Bonds are issued. Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Bonds. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the President and Secretary of the Board, to the effect that no litigation of any nature has been filed or is 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 security for the Bonds; in any manner questioning the authority or proceedings for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

No Material Adverse Change

The obligations of the Initial Purchaser to take and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the condition (financial or otherwise) of the District 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

Opinion

In the opinion of Coats Rose, P.C., Bond Counsel, (i) interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, and (ii) interest on the Bonds is not subject to the alternative minimum tax on individuals.

The Internal Revenue Code of 1986, as amended (the “Code”) imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Bonds, to be excludable from gross income for federal income tax purposes, except that such interest is taken into account in determining the annual adjusted financial statement of income of applicable corporations (as defined in section 59(k) of the Code) for the purpose of determining the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. These requirements include limitations on the use of proceeds and the source of repayment, limitations on the investment of proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the “Service”). The District has covenanted in the Bond Order that it will comply with these requirements.

Bond Counsel’s opinion will assume continuing compliance with the covenants of the Bond Order pertaining to those sections of the Code which affect the exclusion from gross income of interest on the Bonds for federal income tax purpose, and in addition, will rely on representations by the District and the Initial Purchaser with respect to matters solely within the knowledge of the District and the Initial Purchaser, respectively, which Bond Counsel has not independently verified. If the District should fail to comply with the covenants in the Bond Order or if the foregoing representations or report should be determined to be inaccurate or incomplete, interest on the Bonds could become taxable from the date of delivery of the Bonds, regardless of the date on which the event causing such taxability occurs.

Under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Bonds, received, or accrued during the year. Payments of interest on tax-exempt obligations such as the Bonds are in many cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any owner who is not an “exempt recipient” and who fails to provide certain identifying information. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

Except as stated above, Bond Counsel will express no opinion as to any federal, state, or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds.

Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, taxpayers owning an interest in a FASIT that holds tax-exempt obligations, and individuals otherwise qualifying for the earned income credit. In addition, certain foreign corporations doing business in the United States may be subject to the “branch profits tax” on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Bonds. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel’s knowledge of facts as of the date hereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of result and are not binding on the Service; rather, such opinions represent Bond Counsel’s legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current

published procedures the Service is likely to treat the District as the taxpayer and the owners of the Bonds may not have a right to participate in such audit. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit regardless of the ultimate outcome of the audit.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

Qualified Tax-Exempt Obligations

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

The District has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the District will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations."

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) of the United States Securities and Exchange Commission ("SEC") regarding the District's continuing disclosure obligations because the District does not have more than \$10,000,000 in aggregate amount of bonds outstanding and no person is committed by contract or other agreement with respect to payment of the bonds. As required by Rule 15c2-12, and in the Bond Order, the District has the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, audited financial statements and timely notice of specified material events, in an electronic format as prescribed by the Municipal Securities Rulemaking Board ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system for such purpose.

Annual Reports

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

The information and operating data that will be provided with respect to the District is found under the attached "APPENDIX A."

The District will update and provide this information to the MSRB through its EMMA system within six months after the end of each of its fiscal years ending in or after 2022. 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 updated information will include audited financials if it commissions an audit and the audit is completed by the required time. If the audit of such financial statements is not complete within such period, then the District shall provide unaudited financial statements within such period and audited financial statements when the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Bond Order or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulations.

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

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12; (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The terms "material" when used in this paragraph shall have the meanings ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order makes any provision for debt service reserves or liquidity enhancement. 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 a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from EMMA

The District has agreed to provide the information only to the MSRB. The MSRB has prescribed that such information must be filed via EMMA. The MSRB makes the information available to the public without charge and investors will be able to 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 certain events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt 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, but only if (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the SEC Rule 15c2-12, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any qualified professional unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. 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. The District may also amend or repeal its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the SEC Rule 15c2-12 or a court of final jurisdiction enters judgment that such provisions of such SEC Rule 15c2-12 are invalid, and the District also may amend its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertaking

The District entered into a continuing disclosure agreement pursuant to the Rule in connection with the issuance of the Outstanding Bonds. The District has complied in all material respects with such agreement.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the Developer, the District's records, the Engineer, the Tax Assessor/Collector, the Appraisal District, and other sources believed to be reliable; however, no representation is made as to the accuracy or completeness of the information contained herein, except as described below. The summaries of the statutes, resolutions and engineering and other related reports set forth herein are included subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

The District's audited financial statements for the year ended April 30, 2021, were prepared by Mark C. Eyring, CPA, PLLC and have been included herein as "APPENDIX A." Mark C. Eyring, CPA, PLLC has consented to the publication of such financial statements in this Preliminary Official Statement.

Experts

The information contained in this Official Statement relating to engineering and to the description of the Utility System, and, in particular, that engineering information included in the sections entitled "THE BONDS – Use

and Distribution of Bond Proceeds," "THE DISTRICT – Description and Location," "DEVELOPMENT OF THE DISTRICT – Status of Development within 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 an expert in the field of civil engineering.

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning collection rates and valuations contained in the sections captioned "TAX DATA" and "DISTRICT DEBT" was provided by the Tax Assessor/Collector and the Appraisal District. Such information has been included herein in reliance upon the Tax Assessor/Collector's authority as an expert in the field of tax collection and the Appraisal District's authority as an expert in the field of property appraisal.

Certification as to Official Statement

The District, acting by and through its Board in its official capacity and 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, descriptions, 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.

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 in writing 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.

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements, and other sources that are considered to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents, and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Caddo Mills Municipal Management District No. 1 as of the date shown on the cover page.

/s/ Kristen Dye
President, Board of Directors
Caddo Mills Municipal Management District No. 1

ATTEST:

/s/ Jacob Courville
Secretary, Board of Directors
Caddo Mills Municipal Management District No. 1

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

CADDO MILLS MUNICIPAL
MANAGEMENT DISTRICT NO. 1
HUNT COUNTY, TEXAS
ANNUAL AUDIT REPORT
APRIL 30, 2021

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-6
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	7
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	8
NOTES TO THE FINANCIAL STATEMENTS	9-15
SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND	16
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY	17
SCHEDULE OF SERVICES AND RATES	18
EXPENDITURES FOR THE YEAR ENDED APRIL 30, 2021	19
ANALYSIS OF CHANGES IN DEPOSITS, ALL GOVERNMENTAL FUND TYPES	20
TAXES LEVIED AND RECEIVABLE	21-22
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES, GENERAL FUND	23
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	24-25

Mark C. Eyring, CPA, PLLC

12702 Century Drive • Suite C2 • Stafford, Texas 77477 • 281-277-9595 • Mark@EyringCPA.com

June 28, 2021

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Caddo Mills Municipal
Management District No. 1
Hunt County, Texas

I have audited the accompanying financial statements of the governmental activities and each fund of Caddo Mills Municipal Management District No. 1, as of and for the year ended April 30, 2021, which collectively comprise the District's basic financial statements, as listed in the table of contents, and the related notes to the financial statements.

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 of material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the 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 assessment of the risk 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 I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each fund of Caddo Mills Municipal Management District No. 1 as of April 30, 2021, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITOR'S REPORT (Continued)**Emphasis of Matters**

As discussed in Note 6 of the Notes to the Financial Statements, the District's tax base is concentrated in a small number of taxpayers, including the District's developer. My opinions are not modified with respect to these matters.

Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on Pages 3 to 6 and Schedule of Revenues, Expenditures and Changes in Fund Balance, Budget and Actual, General Fund, on Page 16 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The supplementary information on Pages 17 to 25 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Except for the portion marked "unaudited," the information has been subjected to the auditing procedures applied in 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 my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The supplementary information marked "unaudited" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, I do not express an opinion or provide any assurance on it.

A handwritten signature in dark ink, appearing to read "M. G. J.", is located at the bottom right of the page.

Management's Discussion and Analysis

Using this Annual Report

Within this section of the Caddo Mills Municipal Management District No. 1 (the "District") annual report, the District's Board of Directors provides narrative discussion and analysis of the financial activities of the District for the fiscal year ended April 30, 2021.

The annual report consists of a series of financial statements plus additional supplemental information to the financial statements as required by its state oversight agency, the Texas Commission on Environmental Quality. In accordance with required reporting standards, the District reports its financial activities as a special-purpose government. Special-purpose governments are governmental entities which engage in a single governmental program. In the District's case, the single governmental program is provision of water and sewer services. The financial statements of special-purpose governments combine two types of financial statements into one statement. These two types of financial statements are the government-wide financial statements and the fund financial statements. The fund financial statements are presented on the left side of the statements, a column for adjustments is to the right of the fund financial statements, and the government-wide financial statements are presented to the right side of the adjustments column. The following sections describe the measurement focus of the two types of statements and the significant differences in the information they provide.

Government-Wide Financial Statements

The focus of government-wide financial statements is on the overall financial position and activities of the District. The District's government-wide financial statements include the statement of net position and statement of activities, which are prepared using accounting principles that are similar to commercial enterprises. The purpose of the statement of net position is to attempt to report all of the assets and liabilities owned by the District. The District reports all of its assets when it acquires or begins to maintain the assets and reports all of its liabilities when they are incurred.

The difference between the District's total assets and total liabilities is labeled as *net position* and this difference is similar to the total owners' equity presented by a commercial enterprise.

The purpose of the statement of activities is to present the revenues and expenses of the District. Again, the items presented on the statement of activities are measured in a manner similar to the approach used by a commercial enterprise in that revenues are recognized when earned or established criteria are satisfied and expenses are reported when incurred by the District. Thus, revenues are reported even when they may not be collected for several months or years after the end of the accounting period and expenses are recorded even though they may not have used cash during the current period.

Although the statement of activities looks different from a commercial enterprise's income statement, the financial statement is different only in format, not substance. Whereas the bottom line in a commercial enterprise is its net income, the District reports an amount described as *change in net position*, essentially the same thing.

Fund Financial Statements

Unlike government-wide financial statements, the focus of fund financial statements is directed to specific activities of the District rather than the District as a whole. 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 or governmental statutes or regulations.

Governmental fund financial statements consist of a balance sheet and statement of revenues, expenditures and change in fund balances and are prepared on an accounting basis that is significantly different from that used to prepare the government-wide financial statements.

In general, these financial statements have a short-term emphasis and, for the most part, measure and account for cash and other assets that can easily be converted into cash. For example, amounts reported on the balance sheet include items such as cash and receivables collectible within a very short period of time, but do not include capital assets such as land and water and sewer systems. Fund liabilities include amounts that are to be paid within a very short period after the end of the fiscal year. The difference between a fund's total assets and total liabilities is labeled the fund balance, and generally indicates the amount that can be used to finance the next fiscal year's activities. Likewise, the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash, respectively, during the current period or very shortly after the end of the fiscal year.

Because the focus of the government-wide and fund financial statements are different, there are significant differences between the totals presented in these financial statements. For this reason, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total fund balances to the amount of net position presented in the governmental activities column on the statement of net position. Also, there is an analysis in Note 3 of the notes to the financial statements that reconciles the total change in fund balances for all governmental funds to the change in net position as reported in the governmental activities column in the statement of activities.

Financial Analysis of the District as a Whole

Financial Analysis of the District as a Whole begins with an understanding of how financial resources flow through the District's funds. Resources in the Capital Projects Fund are derived principally from proceeds of the sale of bonds and expenditures from this fund are subject to the Rules of the Texas Commission on Environmental Quality. Resources in the Debt Service Fund are derived principally from the collection of property taxes and are used for the payment of tax collection costs and bond principal and interest. Resources in the General Fund are derived principally from property taxes and billings for water and sewer services and are used to operate and maintain the system and to pay costs of administration of the District.

Management has financial objectives for each of the District's funds. The financial objective for the Capital Projects Fund is to spend the funds as necessary in accordance with the Rules of the Texas Commission on Environmental Quality. The financial objective for the Debt Service Fund is to levy the taxes necessary to pay the fiscal year debt service requirements plus the cost of levying and collecting taxes, leaving the appropriate fund balance as recommended by the District's financial advisor. The financial objective for the General Fund is to keep the fund's expenditures as low as possible while ensuring that revenues are adequate to cover expenditures and maintaining the fund balance that Management believes is prudent. Management believes that these financial objectives were met during the fiscal year.

Management believes that the required method of accounting for certain elements of the government-wide financial statements makes the government-wide financial statements as a whole not useful for financial analysis. In the government-wide financial statements, certain non-cash costs of long-term debt are capitalized and amortized over the life of the related debt. Management believes that this required method of accounting is not useful for financial analysis of the District and prefers to consider the required cash flows of the debt as reported in the fund statements and the notes to the financial statements. In the government-wide financial statements, property tax revenues are required to be recorded in the fiscal year for which the taxes are levied, regardless of the year of collection. Management believes that the cash basis method of accounting for property taxes in the funds provides more useful financial information.

The following required summaries of the District's overall financial position and operations for the past two years are based on the information included in the government-wide financial statements. For the reasons described in the preceding paragraph, a separate analysis of the summaries is not presented.

Summary of Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Current and other assets	\$ 60,470	\$ 1,868	\$ 58,602
Capital assets	17,518,629	0	17,518,629
Total assets	<u>17,579,099</u>	<u>1,868</u>	<u>17,577,231</u>
Long-term liabilities	17,578,791	20,000	17,558,791
Other liabilities	7,158	15,067	(7,909)
Total liabilities	<u>17,585,949</u>	<u>35,067</u>	<u>17,550,882</u>
Net position:			
Unrestricted	(6,850)	(33,199)	26,349
Total net position	<u>\$ (6,850)</u>	<u>\$ (33,199)</u>	<u>\$ 26,349</u>

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>Change</u>
Revenues:			
Property taxes, including related penalty and interest	\$ 56,240	\$	\$ 56,240
Other revenues	0	0	0
Total revenues	<u>56,240</u>	<u>0</u>	<u>56,240</u>
Expenses:			
Service operations	29,891	24,493	5,398
Debt service	0	0	0
Total expenses	<u>29,891</u>	<u>24,493</u>	<u>5,398</u>
Change in net position	26,349	(24,493)	50,842
Net position, beginning of year	(33,199)	(8,706)	(24,493)
Net position, end of year	<u>\$ (6,850)</u>	<u>\$ (33,199)</u>	<u>\$ 26,349</u>

Financial Analysis of the District's Funds

The District's General Fund balance as of the end of the fiscal year ended April 30, 2021, was \$51,536. The General Fund balance increased by \$65,135, as revenues and developer operating advances exceeded expenditures.

General Fund Budgetary Highlights

The District did not adopt a budget for the 2021 fiscal year.

Capital Asset and Debt Administration

Capital Assets

Capital assets held by the District at the end of the current and previous fiscal years are summarized as follows:

	<u>Capital Assets (Net of Accumulated Depreciation)</u>		
	<u>2021</u>	<u>2020</u>	<u>Change</u>
Construction in progress	<u>\$ 17,518,629</u>	<u>\$ 0</u>	<u>\$ 17,518,629</u>

Changes to capital assets during the fiscal year ended April 30, 2021, are summarized as follows:

Additions:

Utilities and roads constructed by developer	<u>\$ 17,518,629</u>
--	----------------------

Net change to capital assets	<u>\$ 17,518,629</u>
------------------------------	----------------------

Debt

At April 30, 2021, the District had \$58,098,501 of bonds authorized but unissued for the purposes of acquiring, constructing and improving a water, sanitary sewer and drainage system within the District and \$25,361,501 for road purposes authorized but unissued

As further described in Note 5 of the notes to the financial statements, the developer within the District has advanced funds to the District to cover initial operating deficits. As of April 30, 2021, the cumulative amount of developer advances for this purpose was \$60,162.

As further described in Note 5 of the notes to the financial statements, the developer within the District is constructing water, sewer and drainage facilities and road improvements on behalf of the District under the terms of contracts with the District. The District has agreed to purchase these facilities from the proceeds of future bond issues subject to the approval of the Texas Commission on Environmental Quality as applicable. At April 30, 2021, the estimated amount due to the developer was \$17,518,629.

RELEVANT FACTORS AND WATER SUPPLY ISSUES

Property Tax Base

The District's tax base was \$16,528,212 for the 2020 tax year.

The District's tax base is concentrated in a small number of taxpayers. The District's developer owns a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes.

Relationship to the City of Caddo Mills

The District lies wholly within the corporate limits of the City of Caddo Mills (the "City") and obtains water, sewer and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems.

Under existing Texas law, because the District lies wholly within the corporate limits of the City, the District may be dissolved by the City. If the District is dissolved, the City must assume the District's assets and obligations (including bonds) on the effective date of the dissolution of the District.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET

APRIL 30, 2021

	General	Debt Service	Capital Projects	Total	Adjustments (Note 3)	Statement of Net Position
ASSETS						
Cash, including interest-bearing accounts, Note 7	\$ 59,094	\$	\$	\$ 59,094	\$	\$ 59,094
Receivables:						
Property taxes	1,376			1,376		1,376
Capital assets, Note 4:				0	17,518,629	17,518,629
Total assets	<u>\$ 60,470</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,470</u>	<u>17,518,629</u>	<u>17,579,099</u>
LIABILITIES						
Accounts payable	\$ 7,158	\$	\$	\$ 7,158		7,158
Long-term liabilities, Note 5:						
Due in more than one year				0	17,578,791	17,578,791
Total liabilities	<u>7,158</u>	<u>0</u>	<u>0</u>	<u>7,158</u>	<u>17,578,791</u>	<u>17,585,949</u>
DEFERRED INFLOWS OF RESOURCES						
Property tax revenues	<u>1,376</u>	<u>0</u>	<u>0</u>	<u>1,376</u>	<u>(1,376)</u>	<u>0</u>
FUND BALANCES / NET POSITION						
Fund balances:						
Unassigned	<u>51,936</u>	<u>0</u>	<u>0</u>	<u>51,936</u>	<u>(51,936)</u>	<u>0</u>
Total fund balances	<u>51,936</u>	<u>0</u>	<u>0</u>	<u>51,936</u>	<u>(51,936)</u>	<u>0</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 60,470</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 60,470</u>		
Net position:						
Unrestricted, Note 5					<u>(6,850)</u>	<u>(6,850)</u>
Total net position					<u>\$ (6,850)</u>	<u>\$ (6,850)</u>

The accompanying notes are an integral part of the financial statements.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED APRIL 30, 2021

	General Fund	Debt Service Fund	Capital Projects Fund	Total	Adjustments (Note 3)	Statement of Activities
REVENUES						
Property taxes	\$ 54,820	\$	\$	\$ 54,820	\$ 1,376	\$ 56,196
Penalty and interest	44			44		44
Total revenues	54,864	0	0	54,864	1,376	56,240
EXPENDITURES / EXPENSES						
Service operations:						
Professional fees	25,702			25,702		25,702
Contracted services	2,394			2,394		2,394
Administrative expenditures	1,795			1,795		1,795
Total expenditures / expenses	29,891	0	0	29,891	0	29,891
Excess (deficiency) of revenues over expenditures	24,973	0	0	24,973	1,376	26,349
OTHER FINANCING SOURCES (USES)						
Developer advances, Note 5	40,162			40,162	(40,162)	0
Total other financing sources (uses)	40,162	0	0	40,162	(40,162)	0
Net change in fund balances / net position	65,135	0	0	65,135	(38,786)	26,349
Beginning of year	(13,199)	0	0	(13,199)	(20,000)	(33,199)
End of year	\$ 51,936	\$ 0	\$ 0	\$ 51,936	\$ (58,786)	\$ (6,850)

The accompanying notes are an integral part of the financial statements.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1NOTES TO THE FINANCIAL STATEMENTSAPRIL 30, 2021

NOTE 1: REPORTING ENTITY

Caddo Mills Municipal Management District No. 1 (the "District") was created by the Texas Commission on Environmental Quality on March 29, 2019. The District operates in accordance with Texas Water Code Chapters 49 and 54, Chapter 375 of the Texas Local Government Code and Article XVI, Section 59 and Article III, Sections 52 and 52(a) of the Texas Constitution. The District is located within the corporate limits of the City of Caddo Mills and within Hunt County, Texas. The District is a political subdivision of the State of Texas, governed by an appointed five member Board of Directors. The Board of Directors held its first meeting on April 15, 2019. The District is subject to the continuing supervision of the Texas Commission on Environmental Quality with respect to water, wastewater and drainage.

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 may also provide solid waste collection and disposal service and operate and maintain recreational facilities. In addition, the District is authorized to construct, acquire, improve, maintain or operate roads located within its boundaries.

In evaluating how to define the District for financial reporting purposes, the Board of Directors of the District has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there were no other entities which were included as a component unit in the District's financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

The District's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board (the "GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board issued through November 30, 1989 (when applicable), that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

Basic Financial Statements

The District's basic financial statements include both government-wide (reporting the District as a whole) and governmental fund financial statements (reporting the District's funds). Because the District is a single-program government as defined by the GASB, the District has combined the government-wide statements and the fund financial statements using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column on the face of the financial statements. An additional reconciliation between the fund and the government-wide financial data is presented in Note 3.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District's net position are reported in three parts – invested in capital assets, net of related debt; restricted net position; and unrestricted net position. The government-wide statement of activities reports the components of the changes in net position during the reporting period.

The financial transactions of the District are reported in individual funds in the fund financial statements. Each fund is accounted for in a separate set of self-balancing accounts that comprises its assets, liabilities, fund balances, revenues and expenditures and changes in fund balances. The District's fund balances are reported as nonspendable, restricted, committed, assigned or unassigned. Nonspendable fund balances are either not in spendable form or are contractually required to remain intact. Restricted fund balances include amounts that can only be used for the specific purposes stipulated by constitutional provisions, external resource providers or enabling legislation. Committed fund balances include amounts that can only be used for the specific purposes determined by formal action of the District's Board of Directors. Assigned fund balances are intended for a specific purpose but do not meet the criteria to be classified as restricted or committed. Unassigned fund balance is the residual classification for the District's General Fund and includes all spendable amounts not contained in the other classifications. The transactions of the District are accounted for in the following funds:

General Fund -- To account for all revenues and expenditures not required to be accounted for in other funds.

Debt Service Fund -- To account for the accumulation of financial resources for, and the payment of, bond principal and interest, paid principally from property taxes levied by the District.

Capital Projects Fund -- To account for financial resources designated to construct or acquire capital assets. Such resources are derived principally from proceeds of the sale of bonds.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

Basis of Accounting

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting which recognizes all long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Ad valorem property taxes are recognized as revenues in the fiscal year for which they have been levied and related penalties and interest are recognized in the fiscal year in which they are imposed. An allowance for uncollectibles is estimated for delinquent property taxes and reported separately in the financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred except for principal and interest on bonds payable which are recorded only when payment is due.

Interfund Activity

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is reported as interfund receivables or payables, as appropriate, as are all other outstanding balances between funds. Operating transfers between funds represent legally authorized transfers from the fund receiving resources to the fund through which the resources are to be expended.

Receivables

Service accounts receivable as reported are considered collectible. The District uses the direct write off method for uncollectible service accounts. Unbilled water and sewer revenues are not material and are not recorded at year end. The District considers service accounts revenues to be available if they are to be collected within 60 days after the end of the fiscal year.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred revenues. Property taxes collected after the end of the fiscal year are not included in revenues.

Long-term Liabilities

Long-term debt and other long-term obligations are reported in the government-wide financial statements. Bond premiums and discounts, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. If bonds are refunded and the carrying amount of the new debt is different than the net carrying amount of the old debt, the difference is netted against the new debt and amortized using the effective interest method over the shorter of the remaining life of the refunded debt or the life of the new debt issued.

In the fund financial statements, ad valorem taxes and penalties and interest are reported as revenues in the fiscal year in which they become available to finance expenditures of the fiscal year for which they have been levied. Property taxes which have been levied and are not yet collected (or have been collected in advance of the fiscal year for which they have been levied) are recorded as deferred inflow of resources. Property taxes collected after the end of the fiscal year are not included in revenues.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 3: RECONCILIATION OF FUND TO GOVERNMENT-WIDE FINANCIAL STATEMENTS

Reconciliation of year end fund balances to net position:

Total fund balances, end of year	\$ 51,936
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:	
Total capital assets, net	17,518,629
Some long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds:	
Due to developers for operating advances	\$ (60,162)
Due to developers for construction	<u>(17,518,629)</u> (17,578,791)
Some receivables that do not provide current financial resources are not reported as receivables in the funds:	
Uncollected property taxes	<u>1,376</u>
Net position, end of year	<u><u>\$ (6,850)</u></u>

Reconciliation of net change in fund balances to change in net position:

Total net change in fund balances	\$ 65,135
The receipt of developer advances provides current financial resources to the funds, while the repayment of such advances consume the current financial resources of the funds. Neither transaction, however, has any effect on net position. The effect of these differences in the treatment of long-term debt:	
Developer advances	(40,162)
Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in the funds:	
Uncollected property taxes	<u>1,376</u>
Change in net position	<u><u>\$ 26,349</u></u>

NOTE 4: CAPITAL ASSETS

The District lies wholly within the corporate limits of the City of Caddo Mills (the "City") and obtains water, sewer and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems. The District transfers the ownership of certain capital assets constructed by the District to the City. The District is to pay for construction of a water distribution system, a sanitary sewer collection system, a drainage system and roads to serve the District. The District shall be the owner of each phase of the systems until such phase is completed and approved by the City, at which time ownership of such phase shall be transferred to the City. However, the District shall have a security interest therein until all bonds issued by the District pursuant to the respective agreement are retired.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated:				
Construction in progress	\$ _____	\$ 17,518,629	\$ _____	\$ 17,518,629
Total capital assets not being depreciated	_____ 0	17,518,629	_____ 0	17,518,629
Total capital assets, net	<u>\$ _____ 0</u>	<u>\$ 17,518,629</u>	<u>\$ _____ 0</u>	<u>\$ 17,518,629</u>
Changes to capital assets:				
Increase in liability to developer for construction		\$ 17,518,629	\$ _____	
Net increases / decreases to capital assets		<u>\$ 17,518,629</u>	<u>\$ _____ 0</u>	

NOTE 5: LONG-TERM LIABILITIES AND CONTINGENT LIABILITIES

Long-term liability activity for the fiscal year ended April 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Due to developer for operating advances (see below)	\$ 20,000	\$ 40,162	\$ _____	\$ 60,162	-----
Due to developer for construction (see below)	_____	17,518,629	_____	17,518,629	-----
Total due to developers	<u>20,000</u>	<u>17,558,791</u>	<u>0</u>	<u>17,578,791</u>	<u>0</u>
Total long-term liabilities	<u>\$ 20,000</u>	<u>\$ 17,558,791</u>	<u>\$ 0</u>	<u>\$ 17,578,791</u>	<u>\$ 0</u>

Bonds voted	\$ 58,098,501
Bonds voted and not issued	58,098,501
Road bonds voted	25,361,501
Road bonds voted and not issued	25,361,501
Refunding bonds voted	One and one-half times the amount of unlimited tax bonds previously issued

The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

Developer Construction Commitments, Liabilities and Advances

The developer within the District is constructing certain facilities within the District's boundaries. The District has agreed to reimburse the developer for these construction and related engineering costs plus interest not to exceed the interest rate of the applicable District bond issue. These amounts are to be reimbursed from the proceeds of a future bond issue to the extent approved by the Texas Commission on Environmental Quality as applicable. The District's engineer stated that cost of the construction in progress at April 30, 2021, was \$17,518,629. This amount has been recorded in the government-wide financial statements and in the schedules in Notes 4 and 5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

The developer within the District has advanced funds to the District to cover initial operating deficits. At April 30, 2021, the cumulative amount of unreimbursed developer advances was \$60,162. These amounts have been recorded in the government-wide financial statements and in the schedules in Note 5. This amount has been recorded as a decrease in "Unrestricted net position" in the government-wide financial statements. Without this decrease, "Unrestricted net position" would have a balance of \$53,312.

NOTE 6: PROPERTY TAXES

The Hunt County Appraisal District has the responsibility for appraising property for all taxing units within the county as of January 1 of each year, subject to review and change by the county 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. The District's taxes are usually levied in the fall, are due when billed and become delinquent after January 31 of the following year or 30 days after the date billed, whichever is later. On January 1 of each year, a statutory tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property.

At an election held May 2, 2020, the voters within the District authorized a maintenance tax not to exceed \$1.00 per \$100 valuation on all property subject to taxation within the District. This maintenance tax is being used by the General Fund to pay expenditures of operating the District.

On May 14, 2020, the District levied the following ad valorem taxes for the 2020 tax year on the adjusted taxable valuation of \$16,528,212:

	<u>Rate</u>	<u>Amount</u>
Maintenance	<u>\$ 0.3400</u>	<u>\$ 56,196</u>

Concentration of Tax Base

The District's tax base is concentrated in a small number of taxpayers. The District's developer own a substantial portion of land within the District. If any one of the principal District taxpayers did not pay taxes due, the District might need to levy additional taxes.

NOTE 7: DEPOSITS

The District complied with the requirements of the Public Funds Investment Act during the current fiscal year including the preparation of quarterly investment reports required by the Act.

State statutes authorize the District to invest and reinvest in direct or indirect obligations of the United States, the State of Texas, any county, city, school district, or other political subdivision of the state, or in local government investment pools authorized under the Public Funds Investment Act. Funds of the District may be placed in certificates of deposit of state or national banks or savings and loan associations within the state provided that they are secured in the manner provided for the security of the funds under the laws of the State of Texas. In accordance with the District's investment policies, during the current year the District's funds were invested in interest bearing accounts at authorized financial institutions.

In accordance with state statutes and the District's investment policies, the District requires that insurance or security be provided by depositories for all funds held by them. At the balance sheet date, the District's deposits were covered by federal insurance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

NOTE 8: 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; personal injuries and natural disasters. Significant losses are covered by insurance as described below. There were no significant reductions in insurance coverage from the prior fiscal year. There have been no settlements which have exceeded the insurance coverage for each of the past three fiscal years.

NOTE 9: TOWN OF CADDO MILLS

The District lies wholly within the corporate limits of the City of Caddo Mills (the "City") and obtains water, sewer, drainage and drainage service from the City. In consideration of the District's acquiring and constructing these systems on behalf of the City, the City will own, operate and maintain such systems.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL, GENERAL FUND

FOR THE YEAR ENDED APRIL 30, 2021

	<u>Budgeted Amounts*</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Property taxes	\$	\$	\$ 54,820	\$ 54,820
Penalty and interest			44	44
TOTAL REVENUES	0	0	54,864	54,864
EXPENDITURES				
Service operations:				
Professional fees			25,702	25,702
Contracted services			2,394	2,394
Administrative expenditures			1,795	1,795
TOTAL EXPENDITURES	0	0	29,891	29,891
EXCESS REVENUES (EXPENDITURES)	0	0	24,973	24,973
OTHER FINANCING SOURCES (USES)				
Developer operating advances	0	0	40,162	40,162
EXCESS SOURCES (USES)	0	0	65,135	65,135
FUND BALANCE, BEGINNING OF YEAR	(13,199)	(13,199)	(13,199)	0
FUND BALANCE, END OF YEAR	<u>\$ (13,199)</u>	<u>\$ (13,199)</u>	<u>\$ 51,936</u>	<u>\$ 65,135</u>

*The District did not adopt a budget for the fiscal year ended April 30, 2021.

The accompanying notes are an integral part of the financial statements.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
SCHEDULE OF TEXAS SUPPLEMENTARY INFORMATION
REQUIRED BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
APRIL 30, 2021

(Schedules included are checked or explanatory notes provided for omitted schedules.)

- [X] TSI-1. Services and Rates
- [X] TSI-2. General Fund Expenditures
- [] TSI-3. Temporary Investments
Not Applicable. None at April 30, 2021.
- [X] TSI-4. Taxes Levied and Receivable
- [] TSI-5. Long-Term Debt Service Requirements by Years
Not Applicable. None at April 30, 2021.
- [] TSI-6. Changes in Long-Term Bonded Debt
Not Applicable. None at April 30, 2021.
- [X] TSI-7. Comparative Schedule of Revenues and Expenditures -
General Fund and Debt Service Fund - Five Year
Not Applicable for Debt Service Fund.
- [X] TSI-8. Board Members, Key Personnel and Consultants

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1

SCHEDULE OF SERVICES AND RATES

APRIL 30, 2021

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

<input type="checkbox"/> Retail Water	<input type="checkbox"/> Wholesale Water	<input type="checkbox"/> Drainage
<input type="checkbox"/> Retail Wastewater	<input type="checkbox"/> Wholesale Wastewater	<input type="checkbox"/> Irrigation
<input type="checkbox"/> Parks/Recreation	<input type="checkbox"/> Fire Protection	<input type="checkbox"/> Security
<input type="checkbox"/> Solid Waste/Garbage	<input type="checkbox"/> Flood Control	<input checked="" type="checkbox"/> Roads
<input type="checkbox"/> Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)		
<input checked="" type="checkbox"/> Other <u>All services are provided by the City of Caddo Mills.</u>		

2. Retail Service Providers

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

Contact the City of Caddo Mills.

b. Water and Wastewater Retail Connections:

Contact the City of Caddo Mills.

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

Contact the City of Caddo Mills.

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

Does the District have Debt Service standby fees? Yes ☐ No ☒

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

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

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

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

County in which the district is located: Hunt

Is the district located within one county? Yes ☒ No ☐

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

Is the district located within a city's ETJ? Entirely ☐ Partly ☐ Not at all ☒

ETJ in which the district is located: None.

Is the general membership of the Board appointed by an office outside the district? Yes ☐ No ☒

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1EXPENDITURESFOR THE YEAR ENDED APRIL 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
CURRENT				
Professional fees:				
Legal	\$ 24,554	\$	\$	\$ 24,554
Engineering	1,148			1,148
	<u>25,702</u>	<u>0</u>	<u>0</u>	<u>25,702</u>
Contracted services:				
Bookkeeping	1,732			1,732
Tax assessor-collector	662			662
	<u>2,394</u>	<u>0</u>	<u>0</u>	<u>2,394</u>
Administrative expenditures:				
Insurance	<u>1,795</u>	<u>0</u>	<u>0</u>	<u>1,795</u>
TOTAL EXPENDITURES	<u>\$ 29,891</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 29,891</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1ANALYSIS OF CHANGES IN DEPOSITS
ALL GOVERNMENTAL FUND TYPESFOR THE YEAR ENDED APRIL 30, 2021

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Totals (Memorandum Only)</u>
SOURCES OF DEPOSITS				
Cash receipts from revenues	\$ 54,864	\$	\$	\$ 54,864
Developer advances	<u>40,162</u>	<u></u>	<u></u>	<u>40,162</u>
TOTAL DEPOSITS	<u>95,026</u>	<u>0</u>	<u>0</u>	<u>95,026</u>
APPLICATIONS OF DEPOSITS				
Cash disbursements for:				
Current expenditures	<u>37,800</u>	<u></u>	<u></u>	<u>37,800</u>
TOTAL DEPOSITS APPLIED	<u>37,800</u>	<u>0</u>	<u>0</u>	<u>37,800</u>
INCREASE (DECREASE) IN DEPOSITS	57,226	0	0	57,226
DEPOSITS BALANCES, BEGINNING OF YEAR	<u>1,868</u>	<u>0</u>	<u>0</u>	<u>1,868</u>
DEPOSITS BALANCES, END OF YEAR	<u>\$ 59,094</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 59,094</u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLEFOR THE YEAR ENDED APRIL 30, 2021

	<u>Maintenance Taxes</u>
RECEIVABLE, BEGINNING OF YEAR	\$ 0
2020 ADJUSTED TAX ROLL	<u>56,196</u>
Tax collections: Current tax year	<u>(54,820)</u>
RECEIVABLE, END OF YEAR	<u><u>\$ 1,376</u></u>
RECEIVABLE, BY TAX YEAR	
2020	<u><u>\$ 1,376</u></u>

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1TAXES LEVIED AND RECEIVABLE (Continued)FOR THE YEAR ENDED APRIL 30, 2021ADJUSTED PROPERTY VALUATIONS
AS OF JANUARY 1 OF TAX YEAR

	<u>2020**</u>
Land	\$ 17,185,290
Improvements	203,680
Personal property	0
Less exemptions	<u>(860,758)</u>

TOTAL PROPERTY VALUATIONS

	<u>\$ 16,528,212</u>
--	----------------------

TAX RATES PER \$100 VALUATION*

	<u>\$ 0.34000</u>
--	-------------------

TAX ROLLS

	<u>\$ 56,196</u>
--	------------------

PERCENT OF TAXES COLLECTED
TO TAXES LEVIED

	% <u>97.6</u> %
--	-----------------

*Maximum tax rate approved by voters on May 2, 2020: \$1.00

**The District first levied taxes for tax year 2020.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1
COMPARATIVE STATEMENTS OF REVENUES AND EXPENDITURES,
GENERAL FUND
FOR YEARS ENDED DECEMBER 31

	AMOUNT					PERCENT OF TOTAL REVENUES				
	2021	2020*	2019**	2018	2017	2021	2020	2019	2018	2017
REVENUES										
Property taxes	\$ 54,820	\$	\$	\$	\$	99.9 %	%	%	%	%
Penalty and interest	44					0.1				
TOTAL REVENUES	54,864	0	0	0	0	100.0	N/A	N/A	N/A	N/A
EXPENDITURES										
Service operations:										
Professional fees	25,702	20,406	6,911			46.8				
Contracted services	2,394	925				4.4				
Administrative expenditures	1,795	3,162	1,795			3.3				
TOTAL EXPENDITURES	29,891	24,493	8,706	0	0	54.5	N/A	N/A	N/A	N/A
EXCESS REVENUES (EXPENDITURES)	\$ 24,973	\$ (24,493)	\$ (8,706)	\$ 0	\$ 0	45.5 %	N/A %	N/A %	N/A %	N/A %
TOTAL ACTIVE RETAIL WATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	N/A	N/A	N/A	N/A	N/A					

*District was funded by developer advances for fiscal years 2021 and prior.

**First year of financial activity.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTSAPRIL 30, 2021

Complete District Mailing Address: Caddo Mills Municipal Management District No. 1
 c/o Coats Rose, P.C.
 14755 Preston Road, Suite 600
 Dallas, Texas 77524

District Business Telephone No.: 972-982-8450

Submission date of the most recent District Registration Form: June 24, 2021

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

BOARD MEMBERS

<u>Name and Address</u>	<u>Term of Office (Elected/ Appointed)</u>	<u>Fees of Office Paid</u>	<u>Expense Reimb.</u>	<u>Title at Year End</u>
Kristen Dye c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/15/19- 5/04/24	\$ 0	\$ 0	President
Matt McMahan c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/15/19- 5/04/24	0	0	Vice President
Tammy Omer c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/15/19- 5/04/24	0	0	Secretary
Jacob Courville c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/12/21- 5/07/22	0	0	Assistant Secretary
Victor Ling c/o Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	Appointed 4/12/21- 5/07/22	0	0	Assistant Secretary

See accompanying independent auditor's report.

CADDO MILLS MUNICIPAL MANAGEMENT DISTRICT NO. 1BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS (Continued)APRIL 30, 2021CONSULTANTS

<u>Name and Address</u>	<u>Date Hired</u>	<u>Fees and Expense Reimbursements</u>	<u>Title at Year End</u>
Coats Rose, P.C. 14755 Preston Road, Suite 600 Dallas, Texas 77524	4/15/19	\$ 24,554	Attorney
L & S District Services, LLC P.O. Box 170 Tomball, Texas 77377	4/15/19	1,732	Bookkeeper
JB I Partners, Inc. 2121 Midway Road, Suite 300 Carrollton, Texas 75006	4/15/19	1,148	Engineer
Hunt County Tax Assessor Collector P.O. Box 1042 2500 Stonewall Street Greenville, Texas 75403-1042	5/5/20	662	Tax Assessor- Collector
Hunt Central Appraisal District P.O. Box 1339 Greenville, Texas 75403-1339	Legislative Action	0	Central Appraisal District
Robert W. Baird & Co. 1331 Lamar, Suite 1360 Houston, Texas 77010	4/15/19	0	Financial Advisor
Mark C. Eyring, CPA, PLLC 12702 Century Drive, Suite C2 Stafford, Texas 77477	4/12/21	0	Independent Auditor

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, 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 first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such 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 BAM. 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 BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

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 (as defined herein) 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 BAM 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 made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or 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, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, BAM 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 BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM 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, 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. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN