

OFFICIAL STATEMENT DATED JANUARY 25, 2023

In the opinion of Bond Counsel, under existing law, assuming continuing compliance by the District (herein defined) after the date of initial delivery of the Bonds described below (the "Bonds") with certain covenants contained in the Bond Order (herein defined) authorizing the Bonds and subject to the matters set forth under "TAX MATTERS" herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the "Code"), and (2) will not be an item of tax preference for purposes of the alternative minimum tax; however, such interest may be taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations for tax years beginning after December 31, 2022. See "TAX MATTERS" herein.

The District has **NOT** designated the Bonds as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions" herein.

NEW ISSUE – Book Entry Only

S&P Global Ratings (BAM Insured) "AA"
See "MUNICIPAL BOND INSURANCE" and "RATING."

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

(A Political Subdivision of the State of Texas located within Ellis County)

\$7,350,000

Unlimited Tax Utility Bonds

Series 2023

Dated: February 1, 2023

Interest Accrues From: Date of Delivery

Due: September 1, as shown on inside cover

The \$7,350,000 Unlimited Tax Utility Bonds, Series 2023 (the "Bonds"), are obligations of Ellis County Fresh Water Supply District No. 1 (the "District") and are not obligations of the State of Texas; Ellis County, Texas; the City of Grand Prairie, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Ellis County, Texas; the City of Grand Prairie, Texas; nor any entity other than the District is pledged to the payment of principal of or interest on the Bonds.

Interest on the Bonds accrues from the initial date of delivery (expected on or about February 21, 2023) (the "Date of Delivery"), and is payable on September 1, 2023, and on each March 1 and September 1 thereafter (each an "Interest Payment Date") until the earlier of maturity or redemption and will be calculated on the basis of a 360-day year composed of twelve thirty-day months. The Bonds will be issued in fully registered form only, without coupons, in denominations of \$5,000 or any integral multiple thereof, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company, New York, New York ("DTC"), acting as securities depository for the Bonds until DTC resigns or is discharged. So long as Cede & Co., as nominee of DTC, is the registered owner of the Bonds, principal of and interest on the Bonds will be payable by the Paying Agent/Registrar (herein defined) to DTC, which will be solely responsible for making such payment to the beneficial owners of the Bonds. The District has designated BOKF, NA, Dallas, Texas, as the initial Paying Agent/Registrar for the Bonds.

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 series of unlimited tax bonds issued by the District for the purpose of acquiring or constructing water and sanitary sewer facilities to serve the District (the "Utility System"). The District's voters have authorized the issuance of \$119,345,000 total principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System. Following the issuance of the Bonds, the District will have \$111,995,000 in principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System.

The Bonds, when issued, will be payable from the proceeds of a continuing direct annual ad valorem tax, without legal limit as to rate or amount, levied against all taxable property within the District.

The Bonds are offered when, as and if issued by the District, subject among other things to the approval of the initial Bonds by the Attorney General of Texas and the approval of certain legal matters by Winstead PC, Dallas, Texas, Bond Counsel. The Bonds in book-entry form are expected to be available for delivery through the facilities of DTC, on or about February 21, 2023. See "LEGAL MATTERS."

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

\$7,350,000 Unlimited Tax Utility Bonds, Series 2023

\$3,975,000 Serial Bonds

Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 288718 (b)	Maturity September 1	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 288718 (b)
2024	\$155,000	5.750%	2.550%	BA6	2033 (c)	\$240,000	3.375%	3.550%	BK4
2025	160,000	5.750%	2.600%	BB4	2034 (c)	250,000	3.500%	3.650%	BL2
2026	170,000	5.750%	2.700%	BC2	2035 (c)	265,000	4.000%	3.600%	BM0
2027	180,000	5.750%	2.800%	BD0	2036 (c)	275,000	4.000%	3.700%	BN8
2028	185,000	5.750%	2.900%	BE8	2037 (c)	290,000	4.000%	3.800%	BP3
2029	195,000	5.750%	3.000%	BF5	2038 (c)	305,000	4.000%	3.900%	BQ1
2030 (c)	205,000	5.750%	3.050%	BG3	2039 (c)	320,000	4.000%	4.000%	BR9
2031 (c)	215,000	3.250%	3.350%	BH1	2040 (c)	335,000	4.000%	4.050%	BS7
2032 (c)	230,000	3.250%	3.450%	BJ7					

\$3,375,000 Term Bonds

\$725,000 Term Bond Due September 1, 2042 (c)(d), Interest Rate: 4.000% (Price: \$98.929) (a), CUSIP No. 288718 BU2 (b)

\$1,230,000 Term Bond Due September 1, 2045 (c)(d), Interest Rate: 4.000% (Price: \$98.250) (a), CUSIP No. 288718 BX6 (b)

\$1,420,000 Term Bond Due September 1, 2048 (c)(d), Interest Rate: 4.000% (Price: \$97.500) (a), CUSIP No. 288718 CA5 (b)

- (a) The initial reoffering yield has been provided by the Underwriter (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 subsequently be changed. 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 this issue by the 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 purchasers of the Bonds. None of the District, the Financial Advisor or the Underwriter shall be responsible for the selection or the correctness of the CUSIP numbers shown herein.
- (c) The 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 February 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 of the Bonds – *Optional Redemption*."
- (d) Subject to mandatory redemption by lot or other customary method of random selection on September 1 in the years and in the amounts set forth herein under "THE BONDS – Redemption of the Bonds – *Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, contracts, records, and engineering and other related reports set forth in the Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the District, c/o Winstead PC, 2728 N. Harwood Street, Suite 500, Dallas, Texas 75201, upon payment of the costs for duplication thereof.

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."

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 to the likelihood that they will be realized. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this "Official Statement" nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District or other matters described herein since the date hereof. However, the District has agreed to keep this "Official Statement" current by amendment or sticker to reflect material changes in the affairs of the District, and to the extent that information actually comes to its attention, other matters described in the "Official Statement" until delivery of the Bonds to the Underwriter, and thereafter only as specified in "OFFICIAL STATEMENT – Updating the Official Statement."

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.

TABLE OF CONTENTS

	<u>Page</u>		<u>Page</u>
USE OF INFORMATION IN OFFICIAL STATEMENT	1	Remedies.....	14
SALE AND DISTRIBUTION OF THE BONDS.....	3	Registered Owners' Remedies.....	14
Award of the Bonds	3	Bankruptcy Limitation to Registered	
Prices and Marketability	3	Owners' Rights	14
Securities Laws	3	Future Debt.....	15
MUNICIPAL BOND INSURANCE	3	Marketability of the Bonds	15
Bond Insurance Policy	3	Continuing Compliance with Certain	
Build America Mutual Assurance Company.....	3	Covenants.....	15
RATING.....	5	Approval of the Bonds.....	16
OFFICIAL STATEMENT SUMMARY.....	6	Future and Proposed Legislation.....	16
SELECTED FINANCIAL INFORMATION.....	10	Environmental Regulations	16
INTRODUCTION	12	Potential Impact of Natural Disaster.....	18
RISK FACTORS.....	12	Bond Insurance Risk Factors.....	19
General	12	THE BONDS.....	19
Infectious Disease Outbreak (COVID-19).....	12	General	19
Economic Factors Affecting Taxable Values		Book-Entry-Only System	20
and Tax Payment	13	Use of Certain Terms in Other Sections of	
Operating Funds.....	13	this Official Statement	22
Tax Collections and Foreclosure		Registration, Transfer, and Exchange.....	22
		Replacement of Paying Agent/Registrar	22

Mutilated, Lost, Stolen or Destroyed	
Bonds.....	22
Authority for Issuance	23
Source of Payment	23
Funds	23
Outstanding Bonds	24
Redemption of the Bonds.....	24
Annexation	25
Consolidation	25
Issuance of Additional Debt	25
Registered Owners' Remedies.....	26
Legal Investment and Eligibility to Secure	
Public Funds in Texas.....	27
Defeasance.....	27
Short-Term Debt	28
Use and Distribution of Bond Proceeds.....	29
DISTRICT FINANCIAL DATA	30
General	30
Estimated Overlapping Debt Statement.....	32
Debt Ratios.....	32
Debt Service Requirements.....	33
TAXING PROCEDURES.....	34
Property Tax Code and County-Wide	
Appraisal District.....	34
Property Subject to Taxation by the	
District	34
Valuation of Property for Taxation	36
Disaster Exemption	36
District and Taxpayer Remedies	36
Agricultural, Open Space, Timberland and	
Inventory Deferment.....	36
Notice and Hearing Procedures.....	37
Rollback of Operation and Maintenance	
Tax Rate	37
Levy and Collection of Taxes	38
Collection of Delinquent Taxes.....	38
TAX DATA	39
General	39
Tax Rate Limitation	39
Historical Tax Collections.....	39
Tax Rate Distribution	39
Analysis of Tax Base.....	40
Exemptions and Special Valuations.....	40
Principal Taxpayers.....	40
Tax Rate Calculations	41
Estimated Overlapping Taxes	41
THE DISTRICT	41
General	41
Location of the District	42
Management of the District.....	42
Historical General Operating Fund	43
Status of Development.....	44
HOMEBUILDERS WITHIN THE DISTRICT	44
LOCATION MAP.....	45
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	46
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT	47
THE DEVELOPERS	48
The Role of a Developer	48
The Developers	48
Development Financing	49
Lot-Sales Contracts	49
THE ROAD SYSTEM	49
THE UTILITY SYSTEM.....	49
Regulation.....	49
Description of the System	50
LEGAL MATTERS.....	50
Legal Opinions.....	50
Legal Review	51
TAX MATTERS.....	51
Opinion	51
Federal Income Tax Accounting Treatment	
of Original Issue Discount	52
Collateral Federal Income Tax	
Consequences	53
State, Local and Foreign Taxes	53
Changes in Law	53
Information Reporting and Backup	
Withholding.....	53
Not Qualified Tax-Exempt Obligations for	
Financial Institutions.....	54
NO-LITIGATION CERTIFICATE	54
NO MATERIAL ADVERSE CHANGE.....	54
CONTINUING DISCLOSURE OF INFORMATION.....	54
Annual Reports	54
Event Notices	55
Availability of Information from MSRB	55
Limitations and Amendments	56
Compliance with Prior Undertakings	56
OFFICIAL STATEMENT	56
General	56
Experts.....	56
Certification as to Official Statement.....	57
Updating the Official Statement.....	57
CONCLUDING STATEMENT	58
APPENDIX A - Financial Statements of the	
District	
APPENDIX B - Specimen Municipal Bond	
Insurance Policy	

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 "Underwriter") to purchase the Bonds at the interest rates shown on the inside cover page of this Official Statement at a price of 97.006364% of par, resulting in a net effective interest rate of 4.223330%, as 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 Underwriter. The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Underwriter 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 UNDERWRITER 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 United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws of any other 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 in such other jurisdiction.

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 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 September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$512.5 million, \$195.6 million and \$316.9 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 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.

The above information pertaining to BAM has been furnished by BAM for inclusion in this Official Statement. The District believes the source of such information to be reliable but takes no responsibility for the accuracy of completeness of such information.

RATING

The Bonds will receive an insured rating of "AA" from S&P solely in reliance upon the issuance of the municipal bond insurance policies by BAM at the time of delivery of the Bonds. 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.

The District did not apply for an underlying rating on the Bonds and is not aware of any rating assigned to the Bonds other than the insured rating discussed above.

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OFFICIAL STATEMENT SUMMARY

The following information is a summary of certain information contained herein and is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Official Statement.

THE BONDS

- The District..... Ellis County Fresh Water Supply District No. 1 (the "District"), a political subdivision of the State of Texas, is located in Ellis County, Texas (the "County"). See "THE DISTRICT."

- The Bonds..... The District's \$7,350,000 Unlimited Tax Utility Bonds, Series 2023 (the "Bonds"), are dated February 1, 2023, and mature on September 1 in the years and in the principal amounts as shown on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (expected on or about February 21, 2023) (the "Date of Delivery"), at the rates set forth on the inside cover page hereof, and is payable September 1, 2023, and each March 1 and September 1 thereafter until the earlier of stated maturity or redemption. See "THE BONDS."

- Redemption of the Bonds 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 February 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 of the Bonds - *Optional Redemption.*"

The Bonds maturing on September 1, 2024, through September 1, 2040, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2042, 2045, and 2048 are term bonds and are also subject to mandatory redemption provisions as set out herein under "THE BONDS - Redemption of the Bonds - *Mandatory Redemption.*"

- Source of Payment..... Principal of and interest on the Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; the County; or the City of Grand Prairie, Texas (the "City"). See "THE BONDS - Source of Payment."

- Authority for Issuance..... The Bonds are issued pursuant to (i) an order adopted by the Board of Supervisors of the District (the "Board") on the date of sale of the Bonds (the "Bond Order"); (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including Chapters 49 and 53 of the Texas Water Code, as amended; (iii) bond elections held by the District on May 10, 2008, November 3, 2020, and November 8, 2022 (the "Bond Elections"); and (iv) an order of the Texas Commission on Environmental Quality (the "TCEQ"). See "THE BONDS - Authority for Issuance."

- Voted Authorization..... At the Bond Elections, voters of the District authorized the District's issuance of a total of \$119,345,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water and sanitary sewer facilities to serve the District (the "Utility System") as well as a total of \$21,130,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System. The Bonds constitute the District's first issuance of unlimited tax bonds for the purpose of acquiring or constructing the Utility System.

At the Bond Elections, voters of the District also authorized the District’s issuance of a total of \$191,030,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the “Road System”) as well as a total of \$39,350,000 principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

After the issuance of the Bonds, the following voted authorization will remain authorized but unissued: \$111,995,000 principal amount of unlimited tax bonds for the Utility System; \$21,130,000 principal amount of unlimited tax refunding bonds for the Utility System; \$185,280,000 principal amount of unlimited tax bonds for the Road System; and \$39,350,000 principal amount of unlimited tax refunding bonds for the Road System. See “THE BONDS – Authority for Issuance.”

Outstanding Bonds The District has previously issued its \$5,750,000 Unlimited Tax Road Bonds, Series 2021. As of the Date of Delivery, \$5,750,000 principal amount of such bonds will remain outstanding (the “Outstanding Bonds”). See “THE BONDS – Outstanding Bonds.”

Short-Term Debt..... The District issued its \$4,535,000 Bond Anticipation Note, Series 2022 (the “BAN”), dated June 9, 2022. The BAN matures on June 4, 2023, and accrues interest at a rate of 4.00% per annum, calculated on the basis of actual days elapsed and a 365-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse certain Developers (herein defined) for a portion of the costs of construction of the improvements and a water supply capacity fee as shown under “THE BONDS – Use and Distribution of Bond Proceeds.”

Use of Bond Proceeds Proceeds from the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse certain Developers for a portion of the improvements and related costs as shown herein under “THE BONDS – Use and Distribution of Bond Proceeds.” Additionally, proceeds from the sale of the Bonds will be used to reimburse the Developers for a portion of the water supply capacity fee, improvements, and related costs that were not reimbursed by the BAN, to pay developer interest, BAN interest, \$309,788 of capitalized interest, and other certain costs associated with the issuance of the Bonds. See “THE BONDS – Use and Distribution of Bond Proceeds.”

Not Qualified Tax-Exempt Obligations The District has **not** designated the Bonds as “qualified tax-exempt obligations” pursuant to Section 265(b) of the Internal Revenue Code of 1986, as amended. See “TAX MATTERS – Not Qualified Tax-Exempt Obligations for Financial Institutions.”

Payment Record..... The District has never defaulted on the timely payment of debt service due on its prior bonded indebtedness.

Municipal Bond Insurance Build America Mutual Assurance Company (“BAM”). See “MUNICIPAL BOND INSURANCE.”

Rating..... S&P Global Ratings (BAM Insured): “AA.” See “RATING.”

Bond Counsel Winstead PC, Dallas, Texas. See “THE DISTRICT – Management of the District – Bond Counsel,” “LEGAL MATTERS – Legal Opinions,” and “TAX MATTERS.”

General Counsel	Allen Boone Humphries Robinson LLP, Houston, Texas. See “THE DISTRICT - Management of the District.”
Disclosure Counsel	McCall, Parkhurst & Horton L.L.P., Houston, Texas. See “THE DISTRICT – Management of the District.”
Financial Advisor.....	Robert W. Baird & Co. Incorporated, Houston, Texas. See “THE DISTRICT – Management of the District.”
Paying Agent/Registrar.....	BOKF, NA, Dallas, Texas.

THE DISTRICT

Description.....	The District was created in 2004 by an order of the Ellis County Commissioners Court and is a political subdivision of Texas, located in Ellis County, approximately 4 miles northwest of the City of Midlothian, approximately 22 miles south of the City of Grand Prairie, Texas, and approximately 28 miles southwest of the central downtown business district of the City of Dallas and lies wholly within the extraterritorial jurisdiction of the City of Grand Prairie, Texas. The District contains approximately 972.54 acres of land. See “THE DISTRICT” and “LOCATION MAP.”
Status of Development.....	Development within the District currently consists of Prairie Ridge, Phases 1, 2, 3, and 4 (496 total lots developed on approximately 152.63 acres). Prairie Ridge Phases 5, 6, and 7 (439 total lots on approximately 120.48 acres) are currently under development. As of January 1, 2023, there were approximately 328 completed single-family homes within the District, 28 homes under construction, and 140 vacant developed lots available for home construction. Recreational amenities for residents within the District include an approximate 2-acre park with a playground. The remaining land within the District is comprised of approximately 504.07 acres of undeveloped but developable land and approximately 193.36 acres of land are not developable. See “THE DISTRICT – Status of Development.”
The Developers	PRA Prairie Ridge LP, a Texas limited partnership (“PRA PR”), purchased 517 acres of land in the District in 2005 for the purpose of developing such land with road and utility facilities to serve single-family development within the District. In 2007, PRA PR sold 461 acres within the District to PRA Prairie Ridge Development Corp., a Texas corporation, which in 2018 became Prairie Ridge Capital Corp. (“Capital Corp”). In 2018, Capital Corp sold to Prairie Ridge Partners LP, a Texas limited partnership (“Partners”), approximately 87 acres within the District that has been developed by Partners as Prairie Ridge, Phases 1 and 2 (291 total lots). In 2020, Capital Corp sold to Prairie Ridge Phase 3 LP, a Texas limited partnership (“PR Phase 3”), approximately 26 acres within the District that has been developed by PR Phase 3 as Prairie Ridge, Phase 3 (99 lots). In 2021, Capital Corp sold to Prairie Ridge, Phase 4 LP, a Texas limited partnership (“PR Phase 4”), approximately 28 acres within the District that have been developed as Prairie Ridge, Phase 4 (106 lots). In 2021, Capital Corp sold to Beazer Homes Texas, L.P., a Delaware limited partnership (“Beazer”), approximately 81 acres within the District that are being developed as Prairie Ridge, Phases 5 and 6 (289 total lots). In 2022, Capital Corp sold to M/I Homes of DFW, LLC, a Delaware limited liability company (“M/I”), approximately 40 acres within the District that are being developed as Prairie Ridge, Phase 7 (150 lots). PRA PR, Capital Corp, Partners, PR Phase 3, PR Phase 4, Beazer, and M/I are referred

to herein collectively as the “Developers.” Each of PRA PR, Capital Corp, Partners, PR Phase 3, and PR Phase 4 (collectively the “PRA Developers”) is an affiliate of Provident Realty Advisors, Inc., a Texas corporation (“PRA”). No representations or assurances can be made regarding the plans of any Developers for (i) future development, if any, of the remaining phases of developable land within the District, or (ii) the sale of any Developer’s land within the District.

Additionally, Soap Box Partners LP (“Soap Box”) owns approximately 326.90 acres of undeveloped land in the District, Prairie Ridge North LP (“PR North”) owns approximately 56.76 acres of undeveloped land in the District, and Prairie Ridge Mount Creek LP (“PR Mountain Creek”) owns approximately 93.22 acres of undeveloped land in the District. Each of Soap Box, PR North, and PR Mountain Creek is an affiliate of PRA, and each has indicated that the land it owns within the District is intended to be developed for single-family residential purposes, although the District can make no assurances as to the ultimate disposition of such land.

Homebuilders Builders currently building homes within the District include Beazer Homes, M/I Homes, Grand Homes, and Trophy Signature Homes. The homes being marketed in the District range in size from approximately 1,700 square feet to 3,600 square feet and range in price from approximately \$400,000 to \$700,000.

Infectious Disease Outbreak (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 Outbreak (COVID-19).”

RISK FACTORS

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

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**SELECTED FINANCIAL INFORMATION
(UNAUDITED)**

2022 Certified Taxable Assessed Valuation.....	\$ 102,600,418 (a)
(100% of taxable value as of January 1, 2022)	
See "TAX DATA" and "TAXING PROCEDURES."	
Estimate of Value as of October 1, 2022	\$ 153,489,248 (b)
Direct Debt:	
The Outstanding Bonds	\$ 5,750,000
The Bonds	<u>\$ 7,350,000</u>
Total	<u>\$ 13,100,000</u>
Estimated Overlapping Debt.....	<u>\$ 5,593,503 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 18,693,503</u>
Direct Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	12.77 %
As a percentage of the Estimate of Value as of October 1, 2022.....	8.53 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	18.22 %
As a percentage of the Estimate of Value as of October 1, 2022.....	12.18 %
Road System Debt Service Fund Balance (as of December 21, 2022)	\$ 103,643 (d)
Utility System Debt Service Fund Balance (as of delivery of the Bonds).....	\$ 309,788 (e)
General Operating Fund Balance (as of December 21, 2022)	\$ 18,592 (f)
2022 Tax Rate	
Utility System Debt Service.....	\$ 0.275
Road System Debt Service	\$ 0.255
Maintenance & Operations	<u>\$ 0.470</u>
Total.....	<u>\$ 1.000</u>
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2048)	\$ 775,313 (g)
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047)	\$ 843,400 (g)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2048) at 95% Tax Collections:	
Based Upon 2022 Taxable Assessed Valuation (\$102,600,418)	\$ 0.80
Based Upon the Estimate of Value as of October 1, 2022 (\$153,489,248).....	\$ 0.54
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047) at 95% Tax Collections:	
Based Upon 2022 Taxable Assessed Valuation (\$102,600,418)	\$ 0.87
Based Upon the Estimate of Value as of October 1, 2022 (\$153,489,248).....	\$ 0.58
Number of Single-Family Homes (including 28 homes under construction)	356

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- (a) Based on value certified as taxable for 2022 by the Ellis Appraisal District (the "Appraisal District"). Includes \$2,266,955 of value under review by the Appraisal District, which represents 80% of the value under review and is the estimated minimum amount that ultimately will be certified as taxable by the Appraisal District. See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all property located within the District as of October 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2022, through October 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT FINANCIAL DATA - Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order (herein defined) requires that the District maintain any particular sum in the Road System Debt Service Fund (herein defined). Monies in the Road System Debt Service Fund cannot be used to pay debt service on any bonds issued by the District to finance the Utility System (herein defined), such as the Bonds.
 - (e) Represents \$309,788 of capitalized interest to be deposited into the Utility System Debt Service Fund (herein defined) upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility System Debt Service Fund. Monies in the Utility System Debt Service Fund cannot be used to pay debt service on any bonds issued by the District to finance the Road System (herein defined).
 - (f) See "RISK FACTORS - Operating Funds."
 - (g) Debt service on the Bonds. See "DISTRICT FINANCIAL DATA - Debt Service Requirements."

**OFFICIAL STATEMENT
relating to**

**ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
(A Political Subdivision of the State of Texas Located in Ellis County, Texas)**

**\$7,350,000
UNLIMITED TAX UTILITY BONDS
SERIES 2023**

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Ellis County Fresh Water Supply District No. 1 (the “District”), of its \$7,350,000 Unlimited Tax Utility Bonds, Series 2023 (the “Bonds”).

The Bonds are issued pursuant to (i) an order adopted by the Board of Supervisors of the District (the “Board”) on the date of sale of the Bonds (the “Bond Order”); (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 53 of the Texas Water Code, as amended; (iii) bond elections held by the District on May 10, 2008, November 3, 2020, and November 8, 2022 (the “Bond Elections”); and (iv) an order of 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 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 are obligations of the District and are not obligations of the State of Texas; Ellis County, Texas (the “County”); the City of Grand Prairie, Texas (the “City”); or any political subdivision other than the District. The Bonds are secured by an annual ad valorem tax, without legal limitation as to rate or amount, levied on all taxable property located within the District. See “THE BONDS – Source of Payment.” 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 representation 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.

Infectious Disease Outbreak (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 the 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.

Economic Factors Affecting Taxable Values and Tax Payment

The rate of development within the District is directly related to the vitality of the single-family housing market in the Dallas and Fort Worth metropolitan areas. New single-family residential construction can be significantly affected by factors such as interest rates, construction costs, and consumer demand. Decreased levels of single-family residential construction would restrict the growth of property values in the District. Although the construction of 28 single-family homes is under way as of January 1, 2023, the District cannot predict the pace or magnitude of any future development in the District. See "THE DISTRICT – Status of Development."

Principal Landowners' and Developers' Obligations to the District: There is no commitment by or legal requirement of the Developers (herein defined), or any other landowner, to 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 home builder to proceed at any particular pace with the construction of homes in the District. Moreover, there is no restriction on any land owner's right to sell its land. Therefore, the District can make no representation about the profitability 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 could result in higher tax rates. See "THE DISTRICT – Status of Development," "THE DEVELOPERS," and "HOMEBUILDERS WITHIN THE DISTRICT."

Competition: The demand for and construction of taxable improvements in the District could be affected by competition from other developments near the District. In addition to competition for new single-family home sales from other developments, there are numerous previously-owned single-family homes in more established commercial centers and neighborhoods closer to Dallas that are for sale. Such existing developments could represent additional competition for new development proposed to be constructed within the District. The competitive position of the Developers or the principal landowners in the sale of land, and the sale or leasing of residences is affected by most of the factors discussed in this section. Such a competitive position is directly related to the growth and maintenance of taxable values in the District and tax revenues to be received by the District. The District can give no assurance that building and marketing programs in the District by the Developers will be implemented or, if implemented, will be successful.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land and improvements currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Certified Taxable Assessed Valuation of property within the District (see "TAX DATA") is \$102,600,418 and the Estimate of Value as of October 1, 2022, is \$153,489,248. After issuance of the Bonds, the maximum annual debt service requirement for the Outstanding Bonds (herein defined) and the Bonds is \$843,400 (2047) and the average annual debt service requirement for the Outstanding Bonds and the Bonds is \$775,313 (2023 through 2048, inclusive). See "DISTRICT FINANCIAL DATA – Debt Service Requirements." Assuming no increase to nor decrease from the 2022 Certified Taxable Assessed Valuation, tax rates of \$0.87 and \$0.80 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, on the Outstanding Bonds and the Bonds. Assuming no increase to nor decrease from the Estimate of Value as of October 1, 2022, tax rates of \$0.58 and \$0.54 per \$100 of Assessed Valuation at a 95% tax collection rate would be necessary to pay the maximum annual debt service requirement and the average annual debt service requirement, respectively, on the Outstanding Bonds and the Bonds.

For the 2022 tax year, the District levied a total tax rate of \$1.000 per \$100 of assessed valuation composed of the following: a Utility System (herein defined) debt service tax rate of \$0.275 per \$100 of assessed valuation; a Road System (herein defined) debt service tax rate of \$0.255 per \$100 of assessed valuation; and a maintenance and operations tax rate of \$0.470 per \$100 of assessed valuation.

Operating Funds

The District levied a 2022 maintenance tax of \$0.470 per \$100 of taxable assessed valuation. The District's general fund balance as of December 31, 2022, was \$18,592. 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 Developers, the District will be required to levy a maintenance tax at a rate sufficient (in combination with net revenues from the

District's utility operations) 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. See "THE DISTRICT – Historical General Operating Fund."

Tax Collections and Foreclosure Remedies

The District's ability to make debt service payments may be adversely affected by difficulties in collecting ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other taxing authorities on the property against which taxes are levied, and such lien may be enforced by judicial foreclosure.

The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time consuming and expensive collection procedures; (b) a bankruptcy court's stay of tax collection proceedings against a taxpayer; or (c) market conditions affecting the marketability of taxable property within the District and limiting the proceeds from a foreclosure sale of such property. See "TAXING PROCEDURES – Collection of Delinquent Taxes."

Moreover, the proceeds of any sale of property within the District available to pay debt service on the Bonds may be limited by the existence of other tax liens on the property (see "TAX DATA--Estimated Overlapping Taxes"), by the current aggregate tax rate being levied against the property, and by other factors (including the taxpayers' right to redeem property after foreclosure). Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to the Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. In addition to the automatic stay against the collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid.

Registered Owners' Remedies

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 defaults 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 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 be further 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 and creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

The enforceability of the rights and remedies of Registered Owners may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. Texas law requires a district, such as the District, to obtain the approval of the TCEQ as a condition to seeking relief under the Federal Bankruptcy Code.

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

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

The District may not be placed into bankruptcy involuntary.

Future Debt

The Bonds constitute the District's first issuance of unlimited tax bonds for the purpose of acquiring or constructing water and sanitary sewer facilities to serve the District (the "Utility System").

Following the issuance of the Bonds, the District will have \$111,995,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$21,130,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$185,280,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of acquiring or constructing a road system to serve the District (the "Road System"); and \$39,350,000 principal amount of authorized but unissued unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System. The District reserves in the Bond Order the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. In addition, the District has the right to issue obligations, other than bonds, including tax anticipation notes and bond anticipation notes, and to borrow money for any valid public purpose. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, the remaining \$185,280,000 principal amount of authorized but unissued unlimited tax bonds for financing the Road System will be sufficient to fully finance the Road System to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, following the issuance of the Bonds, the remaining \$111,995,000 principal amount of authorized but unissued unlimited tax bonds for financing the Utility System will be sufficient to fully finance the Utility System to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developers approximately \$9,404,256 for expenditures to construct the Road System and the Utility System to serve the District. See "THE ROAD SYSTEM," "THE UTILITY SYSTEM," and "THE DISTRICT – Status of Development."

Marketability of the Bonds

The District has no understanding with the Underwriter 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 may be greater than the difference between the bid and asked price of bonds of comparable maturity and quality issued by more traditional issuers, since such bonds are more generally bought, sold and traded in the secondary market.

Continuing Compliance with Certain Covenants

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

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.

Future and Proposed Legislation

From time to time, there are Presidential proposals, proposals of various federal committees, and legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to herein or adversely affect the marketability or market value of the Bonds or otherwise prevent holders of the Bonds from realizing the full benefit of the tax exemption of interest on the Bonds. Further, such proposals may impact the marketability or market value of the Bonds simply by being proposed. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value, marketability or tax status of the Bonds. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Bonds would be impacted thereby.

Purchasers of the Bonds should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The disclosures and opinions expressed herein are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Bonds, and no opinion is expressed as of any date subsequent thereto or with respect to any proposed or pending legislation, regulatory initiatives or litigation.

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; and
- Requiring remedial action to prevent or mitigate pollution.

Sanctions against a municipal utility 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 District and surrounding area. Under the Clean Air Act (“CAA”) Amendments of 1990, the Dallas-Fort Worth area (“DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties, and Rockwall County for the purposes of the 2008 Ozone Standards only—has been designated a nonattainment area under three separate federal ozone standards: the one-hour (124 parts per billion (“ppb”)) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), and the EPA’s most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the “2015 Ozone Standard”). While Texas has been able to demonstrate steady progress and improvements in air quality in the DFW Area, the DFW Area remains subject to CAA nonattainment requirements.

The DFW Area is currently designated as a serious ozone nonattainment area under the 1997 Ozone Standards. On June 24, 2019, the EPA proposed approval of redesignation of the DFW to “attainment” for the 1997 Ozone

Standards, which would terminate the serious nonattainment area “anti-backsliding” requirements and leave the DFW Area subject only to the nonattainment area requirements under the 2008 Ozone Standard and the 2015 Ozone Standard.

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

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

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

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.

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; (k) waste treatment systems; and (l) all other waters or features not included in the definition of “waters of the United States.” 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 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 closing on February 7, 2022. Due to ongoing rulemaking activity, as well as existing and possible future litigation, 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 could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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.

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 District which is recovered by the District from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the District unless the bond insurer chooses to pay such amounts at an earlier date.

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

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

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

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

Neither the District or Underwriter have 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 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" 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. A copy of the Bond Order may be obtained from the District upon request to Bond Counsel. 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 February 1, 2023, and will mature on September 1 of the years and in the principal amounts indicated on the inside cover page hereof. Interest on the Bonds accrues from the initial date of delivery (expected on or about February 21, 2023) (the "Date of Delivery"), at the rates per annum set forth on the inside cover page hereof. Interest on the Bonds will be payable on September 1, 2023, and semiannual thereafter on each March 1 and September 1 until maturity or redemption. Interest calculations are based upon a thirty (30) day month and a three hundred sixty (360) day year.

The Bonds will be issued only in fully registered form in any integral multiples of \$5,000 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”, “Paying Agent/Registrar”, or the “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 “THE BONDS – Book-Entry-Only System.”

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 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 and interest on the Bonds are to be paid to and credited by DTC, New York, New York, while the Bonds are registered in its nominee’s name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The District believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The District cannot and does not give any assurance that (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 maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

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

Ratings. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

Payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or The Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, distributions and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or The Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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.

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 Bondholder. 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 series and maturity in authorized denominations. To the extent possible, new Bonds issued in exchange or transfer of Bonds will be delivered to the Bondholder or assignee of the Bondholder 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 forty-five (45) 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.

Replacement of Paying Agent/Registrar

Provision is made in the Bond Order for the replacement of the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District the new paying agent/registrar shall be required to accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any paying agent/registrar selected by the District shall be a bank, including a commercial bank, or trust company organized under a law of the State of Texas duly qualified to act as a paying agent/registrar for the Bonds.

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.

Authority for Issuance

The bonds authorized by the resident electors of the District, the amount of bonds issued and the remaining authorized but unissued bonds are as follows:

Election Date	Purpose	Amount Authorized	Issued to Date	Remaining Unissued
5/10/2008	Utility System	\$ 21,130,000	\$ 7,350,000 (a)	\$ 13,780,000
5/10/2008	Road System	39,350,000	5,750,000	33,600,000
5/10/2008	Utility System Refunding	21,130,000	-	21,130,000
5/10/2008	Road System Refunding	39,350,000	-	39,350,000
11/3/2020	Utility System (b)	13,670,000	-	13,670,000
11/3/2020	Road System (b)	45,250,000	-	45,250,000
11/8/2022	Utility System (c)	84,545,000	-	84,545,000
11/8/2022	Road System (c)	106,430,000	-	106,430,000

(a) The Bonds.

(b) The Utility System and Road System authorizations in 2020 are in addition to the 2008 authorizations.

(c) The Utility System and Road System authorizations in 2022 are in addition to the 2008 and 2020 authorizations.

The Bonds are issued pursuant to (i) the Bond Order; (ii) Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, including particularly Chapters 49 and 53 of the Texas Water Code, as amended; (iii) the Bond Elections; and (iv) an order of the TCEQ.

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

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 the principal of and interest on the Bonds, with full allowance being made for delinquencies and costs of collection. See "TAXING PROCEDURES." The Bonds involve certain elements of risk, and all prospective purchasers are urged to examine carefully this Official Statement with respect to the investment security of the Bonds. See "RISK FACTORS." The Bonds are obligations solely of the District and are not obligations of the County, Texas, the City or any other political subdivision or entity other than the District.

Funds

The Bond Order creates a fund for debt service on the Bonds issued for the Utility System and any additional unlimited tax bonds issued by the District for the Utility System (the "Utility System Debt Service Fund"). \$309,788 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.

In connection with the issuance of the Outstanding Bonds for the Road System, the District has previously created its Road System Debt Service Fund (the "Road System Debt Service Fund"). The Road System Debt Service Fund, which constitutes a trust fund for the benefit of the registered owners of the Outstanding Bonds issued for the Road 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 Outstanding Bonds issued for the Road System. Amounts on deposit in the Road 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 Outstanding Bonds issued for the Road System. Amounts on deposit in the Road System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Utility System, such as the Bonds.

Outstanding Bonds

The District has previously issued its \$5,750,000 Unlimited Tax Road Bonds, Series 2021. As of the Date of Delivery, \$5,750,000 principal amount of such bonds will remain outstanding (the “Outstanding Bonds”).

Redemption of the Bonds

Optional Redemption

Bonds maturing on September 1, 2030, and thereafter are subject to redemption prior to maturity at the option of the District, in whole or in part, on February 1, 2029, or on any date thereafter, at a price equal to the principal amount 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 fewer 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 fewer 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 method of random selection as the Paying Agent/Registrar deems fair and appropriate in integral multiples of \$5,000 within any one maturity (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). 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 that mature on September 1 in the years 2042, 2045, and 2048 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:

\$725,000 Term Bonds Maturing on September 1, 2042

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2041	\$ 355,000
September 1, 2042 (Maturity)	\$ 370,000

\$1,230,000 Term Bonds Maturing on September 1, 2045

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 390,000
September 1, 2044	\$ 410,000
September 1, 2045 (Maturity)	\$ 430,000

\$1,420,000 Term Bonds Maturing on September 1, 2048

<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2046	\$ 450,000
September 1, 2047	\$ 475,000
September 1, 2048 (Maturity)	\$ 495,000

On or before thirty (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 section.

Annexation

Under existing Texas law, because the District lies wholly within the extraterritorial jurisdiction of the City, the District may be annexed for full purposes by the City without the District's consent, subject to compliance by the City with various requirements of Chapter 43 of the Texas Local Government Code, as amended. The District may be annexed and dissolved by the City only if (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed and (ii) if the registered voters in the area to be annexed do not own more than 50% of the land in the area, a petition has been signed by more than 50% of the land owners, consenting to annexation. If the District is annexed, the City must assume the District's assets and obligations (including the Bonds) and abolish the District within ninety (90) days of the date of annexation. Annexation of territory by the City is a policy-making matter within the discretion of the Mayor and City Council of the City, subject to the requirements of Chapter 43 of the Texas Local Government Code, as amended, and therefore, the District makes no representation that the City will ever annex the District and assume its debt. Moreover, no representation is made concerning the ability of the City to make debt service payments should the annexation occur.

In 2005, the District entered into a Development Agreement (the "DA") with the City, Johnson County Fresh Water Supply District No. 2 and PRA Prairie Ridge, L.P. (for purposes of this paragraph, the "DA Owner"). The DA provided for an initial ten-year moratorium on annexation of land in the District by the City, and the DA Owner was granted the right to extend such moratorium for a second ten-year period in the event certain infrastructure improvements serving the District had not yet been completed. The DA Owner has executed notice to the City of its exercise of such right, effecting an extension of the annexation moratorium until November 14, 2025.

An amendment to the DA, effective December 13, 2022 (the "DA Amendment"), states that except as provided in a strategic partnership agreement (the "SPA") between the City and the District, certain lands annexed to the District on January 25, 2023, totaling approximately 420.12 acres, shall be immune from full-purpose annexation by the City until such time that certain of the PRA Developers have received 100 percent of the reimbursables due them from the District. In the DA Amendment, the District and the City have agreed to enter into the SPA within 180 days of the effective date of the DA Amendment.

Under the SPA, as proposed, (1) the District would consent to the full-purpose annexation of the District by the City at any time on or after at least 90 percent of the land in the District has been developed with water, sanitary sewer and drainage facilities and roads and the District has issued bonds to reimburse fully the developer of any such facilities and roads to the fullest extent allowed under the then-current rules of the TCEQ, and (2) the City would agree not to annex the District for full municipal purposes prior to such time.

Consolidation

A district (such as the District) has the legal authority to consolidate with other districts and, in connection therewith, to provide by mutual agreement 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 could include the Bonds). No representation is made concerning the likelihood of consolidation.

Issuance of Additional Debt

The District intends to issue additional bonds. Any bonds issued by the District must be approved by the Attorney General of Texas, and bonds issued to finance the acquisition or construction of the Utility System, such as the Bonds, must be approved by the TCEQ. The District's voters have authorized the issuance of \$119,345,000 total principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System; \$21,130,000 total principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Utility System; \$191,030,000 total principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System; and \$39,350,000 total principal amount of unlimited tax bonds for the purpose of refunding bonds issued by the District for the Road System.

Following the issuance of the Bonds, the District will have \$111,995,000 in principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Utility System; \$21,130,000 in principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Utility System; \$185,280,000 in principal amount of unlimited tax bonds authorized but unissued for the purpose of acquiring or constructing the Road System; and \$39,350,000 in principal amount of unlimited tax bonds authorized but unissued for the purpose of refunding bonds issued by the District for the Road System.

The Bond Order imposes no limitation on the amount of additional parity bonds which may be authorized for issuance by the District's voters or the amount of bonds ultimately issued by the District. Except with respect to the issuance of bonds for road purposes, the District does not employ any formula with regard to assessed valuations or tax collections or otherwise to limit the amount of bonds which may be issued. The total amount of bonds and other obligations of the District issued for road purposes may not exceed one-fourth of the certified assessed valuation of the real property in the District. The issuance of additional obligations may increase the District's tax rate and adversely affect the security for and the investment quality and value of the Bonds.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, the remaining \$185,280,000 principal amount of authorized but unissued unlimited tax bonds for financing the Road System will be sufficient to fully finance roads to serve the remaining undeveloped but developable land within the District.

Based on present engineering cost estimates and on development plans, in the opinion of the District's Engineer, following the issuance of the Bonds, the remaining \$111,995,000 principal amount of authorized but unissued unlimited tax bonds for financing the Utility System will be sufficient to fully finance such facilities to serve the remaining undeveloped but developable land within the District.

Following the issuance of the Bonds, the District will owe the Developers approximately \$9,404,256 for expenditures to construct the Road System and the Utility System to serve the District. See "THE UTILITY SYSTEM," "THE ROAD SYSTEM," and "THE DISTRICT – Status of Development."

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 defaults 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 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 be further 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 and creditors of political subdivisions, such as the District.

Legal Investment and Eligibility to Secure Public Funds in Texas

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

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

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

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

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

Defeasance

The Bond Order provides for the defeasance of the Bonds when the payment of the principal of the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities (herein defined), maturing as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the Paying Agent/Registrar for the Bonds. The Bond Order provides that “Defeasance Securities” means (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 of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for funding of an escrow to defease the 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 Board adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provides for funding of an escrow to defease the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The District has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the District moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid and thereafter the District will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the defeasance securities. Provided, however, the District has reserved the option, to be exercised at the time of the defeasance of the Bonds, to redeem, at an earlier date, those Bonds which have been defeased to their maturity date, if the District: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making

of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Short-Term Debt

The District issued its \$4,535,000 Bond Anticipation Note, Series 2022 (the "BAN"), dated June 9, 2022. The BAN matures on June 4, 2023, and accrues interest at a rate of 4.00% per annum, calculated on the basis of actual days elapsed and a 365-day year. The District will use a portion of the proceeds from the sale of the Bonds to redeem the BAN prior to its maturity. Proceeds from the BAN were used to reimburse certain Developers for a portion of the costs of construction of the improvements and a water supply capacity fee as shown under "THE BONDS – Use and Distribution of Bond Proceeds."

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Use and Distribution of Bond Proceeds

A portion of the proceeds from the sale of the Bonds will be used by the District to redeem the BAN, the proceeds of which were used to reimburse the Developers for a portion of the improvements and related costs as shown below. Additionally, proceeds from the sale of the Bonds will be used to reimburse the Developers for a portion of the water capacity fee, improvements, and related costs that were not reimbursed by the BAN, to pay developer interest, BAN interest, \$309,788 of capitalized interest, and other certain costs associated with the issuance of the Bonds.

	<u>Amount</u>
<u>CONSTRUCTION COSTS</u>	
A. Developer Contribution Items	
1. Prairie Ridge Phase 1 & 2A – W, WW & D	\$ 1,364,671
2. Engineering	877,226
Total Developer Contribution Items	<u>\$ 2,241,897</u>
A. District Items	
1. Prairie Ridge Phase 1 Offsite Water and Wastewater Improvements	\$ 2,004,956
2. Water Buy-In Capacity Fees	929,400
Total District Items	<u>\$ 2,934,356</u>
TOTAL CONSTRUCTION COSTS (69.03% of BIR)	\$ 5,176,253
<u>NON-CONSTRUCTION COSTS</u>	
A. Legal Fees	\$ 188,750
B. Fiscal Agent Fees	147,000
C. Interest	
1. Developer Interest	555,162
2. BAN Interest	127,725
3. Capitalized Interest	309,788
D. Bond Discount	220,032
E. Bond Issuance Expenses	35,483
F. BAN Issuance Expenses	103,067
G. Bond Application Report Costs	42,500
H. Developer Advances	142,443
I. Creation Expenses	92,280
J. Attorney General’s Fee (0.10% or \$9,500 max.)	7,350
K. TCEQ Bond Issuance Fee (0.25%)	18,375
L. Contingency (a)	183,792
TOTAL NON-CONSTRUCTION COSTS	<u>\$ 2,173,747</u>
TOTAL BOND ISSUE REQUIREMENT	<u>\$ 7,350,000</u>

(a) Represents the combined differences between the estimated and actual amounts of BAN Interest, Capitalized Interest, and Bond Discount.

In the instance that approved estimated amounts exceed the actual costs, the difference comprises a surplus which may be expended for uses approved by the TCEQ, where required. 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. However, the District cannot and does not guarantee the sufficiency of such funds for such purposes.

**DISTRICT FINANCIAL DATA
(UNAUDITED)**

General

The following tables and calculations relate to the Bonds. The District and various other political subdivisions of government which overlap all or a portion of the District are empowered to incur debt to be raised by taxation against all or a portion of the property within the District.

2022 Certified Taxable Assessed Valuation..... (100% of taxable value as of January 1, 2022) See "TAX DATA" and "TAXING PROCEDURES."	\$ 102,600,418 (a)
Estimate of Value as of October 1, 2022	\$ 153,489,248 (b)
Direct Debt:	
The Outstanding Bonds	\$ 5,750,000
The Bonds	<u>\$ 7,350,000</u>
Total.....	\$ 13,100,000
Estimated Overlapping Debt.....	<u>\$ 5,593,503 (c)</u>
Total Direct and Estimated Overlapping Debt	<u>\$ 18,693,503</u>
Direct Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	12.77 %
As a percentage of the Estimate of Value as of October 1, 2022.....	8.53 %
Direct and Estimated Overlapping Debt Ratio:	
As a percentage of 2022 Taxable Assessed Valuation	18.22 %
As a percentage of the Estimate of Value as of October 1, 2022.....	12.18 %
Road Debt Service Fund Balance (as of December 21, 2022)	\$ 103,643 (d)
Utility Debt Service Fund Balance (as of delivery of the Bonds)	\$ 309,788 (e)
General Operating Fund Balance (as of December 21, 2022)	\$ 18,592 (f)
2022 Tax Rate	
Utility System Debt Service.....	\$ 0.275
Road System Debt Service	\$ 0.255
Maintenance & Operations	<u>\$ 0.470</u>
Total.....	<u>\$ 1.000</u>
Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2048)	\$ 775,313 (g)
Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047)	\$ 843,400 (g)
Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2023-2048) at 95% Tax Collections:	
Based Upon 2022 Taxable Assessed Valuation (\$102,600,418)	\$ 0.80
Based Upon the Estimate of Value as of October 1, 2022 (\$153,489,248).....	\$ 0.54
Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Debt Service Requirements on the Bonds and the Outstanding Bonds (2047) at 95% Tax Collections:	
Based Upon 2022 Taxable Assessed Valuation (\$102,600,418)	\$ 0.87
Based Upon the Estimate of Value as of October 1, 2022 (\$153,489,248).....	\$ 0.58
Number of Single-Family Homes (including 28 homes under construction)	356

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- (a) Based on value certified as taxable for 2022 by the Appraisal District. Includes \$2,266,955 of value under review by the Appraisal District, which represents 80 percent of the value under review and is the estimated minimum amount that ultimately will be certified as taxable by the Appraisal District. See "TAXING PROCEDURES."
 - (b) Provided by the Appraisal District for informational purposes only. This amount is an estimate of the taxable value of all property located within the District as of October 1, 2022, and includes an estimate of additional taxable value resulting from additional taxable improvements constructed in the District from January 1, 2022, through October 1, 2022. No taxes will be levied on this estimated value. See "TAX DATA" and "TAXING PROCEDURES."
 - (c) See "DISTRICT FINANCIAL DATA - Estimated Overlapping Debt Statement."
 - (d) Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Road Debt Service Fund. Monies in the Road Debt Service Fund cannot be used to pay debt service on any bonds issued by the District to finance the Utility System, such as the Bonds.
 - (e) Represents \$309,788 of capitalized interest to be deposited into the Utility Debt Service Fund upon closing of the Bonds. Neither Texas law nor the Bond Order requires that the District maintain any particular sum in the Utility Debt Service Fund. Monies in the Utility Debt Service Fund cannot be used to pay debt service on any bonds issued by the District to finance the Road System.
 - (f) See "RISK FACTORS - Operating Funds."
 - (g) Debt service on the Bonds. See "DISTRICT FINANCIAL DATA - Debt Service Requirements."

Estimated Overlapping Debt Statement

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the District and the estimated percentages and amounts of such indebtedness attributable to property within the District. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports prepared by the Municipal Advisory Council of Texas. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes.

Taxing Jurisdiction	Outstanding Debt as of November 30, 2022	Percent	Overlapping Amount
Ellis County	\$ 28,755,000	0.38%	\$ 109,638
Midlothian ISD	412,745,000	1.33%	5,483,865
TOTAL ESTIMATED OVERLAPPING DEBT			\$ 5,593,503
Direct Debt			13,100,000 (a)
TOTAL DIRECT & ESTIMATED OVERLAPPING DEBT			<u>\$ 18,693,503</u>

(a) Includes the Bonds.

Debt Ratios

	2022 Certified Taxable Assessed Valuation	Estimate of Value as of October 1, 2022
Direct Debt (a)	12.77%	8.53%
Total Direct and Estimated Overlapping Debt (a)	18.22%	12.18%

(a) Includes the Bonds.

Debt Service Requirements

The following schedule sets forth the debt service requirements for the Outstanding Bonds and the principal and interest requirements for the Bonds. Totals may not sum due to rounding.

Calendar Year	Outstanding Debt Service (a)	The Bonds			Total Debt Service
		Principal	Interest	Debt Service	
2023	\$ 144,965	\$ -	\$ 163,499	\$ 163,499	\$ 308,464
2024	319,965	155,000	309,788	464,788	784,753
2025	317,165	160,000	300,875	460,875	778,040
2026	319,190	170,000	291,675	461,675	780,865
2027	320,950	180,000	281,900	461,900	782,850
2028	322,435	185,000	271,550	456,550	778,985
2029	328,635	195,000	260,913	455,913	784,548
2030	329,635	205,000	249,700	454,700	784,335
2031	330,330	215,000	237,913	452,913	783,243
2032	330,710	230,000	230,925	460,925	791,635
2033	330,765	240,000	223,450	463,450	794,215
2034	330,485	250,000	215,350	465,350	795,835
2035	330,085	265,000	206,600	471,600	801,685
2036	334,335	275,000	196,000	471,000	805,335
2037	333,335	290,000	185,000	475,000	808,335
2038	331,965	305,000	173,400	478,400	810,365
2039	335,465	320,000	161,200	481,200	816,665
2040	333,445	335,000	148,400	483,400	816,845
2041	336,290	355,000	135,000	490,000	826,290
2042	333,590	370,000	120,800	490,800	824,390
2043	335,750	390,000	106,000	496,000	831,750
2044	332,050	410,000	90,400	500,400	832,450
2045	333,200	430,000	74,000	504,000	837,200
2046	334,050	450,000	56,800	506,800	840,850
2047	329,600	475,000	38,800	513,800	843,400
2048	-	495,000	19,800	514,800	514,800
Total	\$ 8,058,390	\$ 7,350,000	\$ 4,749,736	\$ 12,099,736	\$ 20,158,126

(a) Outstanding as of delivery of the Bonds.

Average Annual Requirements - (2023-2048)	\$775,313
Maximum Annual Requirement - (2047)	\$843,400

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TAXING PROCEDURES

Property Tax Code and County-Wide Appraisal District

The Texas Property Tax Code (the "Property Tax Code") establishes for each county in Texas a single appraisal district with responsibility for recording and appraising property for all taxing units within the county and a single appraisal review board with responsibility for reviewing and equalizing the values established by the appraisal district. The appraisal of property within the District is the responsibility of the Ellis Appraisal District (the "Appraisal District"). The Property Tax Code requires the Appraisal District, by May 15 of each year, or as soon thereafter as practicable, to prepare appraisal records of property as of January 1 of each year based upon market value. The chief appraiser must give written notice before May 15, or as soon thereafter as practicable, to each property owner whose property value is appraised higher than the value in the prior tax year or the value rendered by the property owner, or whose property was not on the appraisal roll the preceding year, or whose property was reappraised in the current tax year. Notice must also be given if ownership of the property changed during the preceding year. The appraisal review board has the ultimate responsibility for determining the value of all taxable property within the District; however, any property owner who has timely filed notice with the appraisal review board may appeal a final determination by the appraisal review board by filing suit in a Texas district court.

Although the District has the responsibility for establishing tax rates and levying and collecting its taxes each year, under the Property Tax Code, the District does not establish appraisal standards or determine the frequency of revaluation or reappraisal. The Appraisal District is governed by a board of directors elected by the governing bodies of the County and all cities, towns, school districts and, if entitled to vote, the conservation and reclamation districts that participate in the Appraisal District. The Property Tax Code requires each appraisal district to implement a plan for periodic reappraisal of property to update appraised values. Such plan must provide for reappraisal of all real property in the Appraisal District at least once every three years. It is not known what frequency of future reappraisals will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

Property Subject to Taxation by the District

Except for certain exemptions provided by Texas law, all real and tangible personal property and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District; however, no effort is expected to be made by the Appraisal District to include on the tax roll tangible or intangible personal property not devoted to commercial or industrial use. Principal categories of exempt property include: property owned by the State of Texas or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies, and personal effects; farm products owned by the producer; certain property owned by charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; solar and wind powered energy devices; inventory and warehouse goods in transit; and most individually-owned automobiles and travel trailers. In addition, the District, either by action of its Board or through a process of petition and referendum initiated by its residents, may grant exemptions for residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board.

Furthermore, the District must grant exemptions to disabled veterans or certain surviving dependents of disabled veterans, if requested, but only to the maximum extent allowed by law. The disabled veteran exemption ranges between \$5,000 and \$12,000, depending upon the disability rating of the veteran claiming the exemption, and qualifying surviving spouses of persons 65 years of age or older will be entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. A veteran who receives a disability rating of 100% is entitled to an exemption of the full value of the veteran's residential homestead. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a

subsequent residence homestead of the surviving spouse. The surviving spouse of a first responder who was killed or fatally injured in the line of duty is, subject to certain conditions, also entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and, subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse. See "TAX DATA."

The Board may also exempt up to 20% of the market value of residential homesteads from ad valorem taxation. Such exemption would be in addition to any other applicable exemptions provided by law. However, if ad valorem taxes have previously been pledged for the payment of debt and the cessation of the levy would impair the obligation of the contract by which the debt was created, then the Board may continue to levy and collect taxes against the exemption value of the homesteads until the debt is discharged. To date, the Board has not voted to exempt any percentage of the market value of residential homesteads generally from ad valorem taxation, but no representation can be made that the Board will not determine to grant such exemption in the future.

A "Freeport Exemption" applies to goods, wares, merchandise, other tangible personal property and ores, other than oil, natural gas, and petroleum products (defined as liquid and gaseous materials immediately derived from refining or natural gas), and to aircraft or repair parts used by a certified air carrier acquired in or imported into Texas which are destined to be forwarded outside of Texas and which are detained in Texas for assembling, storing, manufacturing, processing or fabricating 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 certain tangible personal property, as defined by the Property Tax Code, acquired in or imported into Texas for storage purposes and which is stored under a contract of bailment by a public warehouse operator at one or more public warehouse facilities in Texas that are not in any way owned or controlled by the owner of such property for the account of the person who acquired or imported such property. The exemption excludes oil, natural gas, petroleum products, aircraft and certain special inventory including dealer's motor vehicles, dealer's vessel and outboard motor vehicle, dealer's heavy equipment and retail manufactured housing inventory. The exemption applies to covered property if it is acquired in or imported into Texas for assembling, storing, manufacturing, processing, or fabricating purposes and is subsequently forwarded to another location inside or outside of Texas not later than 175 days after acquisition or importation. A property owner who receives the Goods-in-Transit Exemption is not eligible to receive the Freeport Exemption for the same property. Local taxing units such as the District may, by official action and after public hearing, tax goods-in-transit personal property. A taxing unit must exercise its option to tax goods-in-transit property before January 1 of the first tax year in which it proposes to tax the property at the time and in the manner prescribed by applicable law. However, taxing units who took official action as allowed by prior law before October 1, 2011, to tax goods-in-transit property, and who pledged such taxes for the payment of debt, may continue to impose taxes against the goods-in-transit property until the debt is discharged without further action, if cessation of the imposition would impair the obligations of the contract by which the debt was created. The District has taken no official action to allow taxation of such goods-in-transit personal property.

The County may designate all or part of the area within the District as a reinvestment zone. Thereafter, either the County or 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 jurisdiction. To date, none of the area within the District has been designated as a reinvestment zone, and the District has not approved any such tax abatement agreements.

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, except for certain categories of land designated for agricultural use, open space, or timberland as described below. See "Agricultural, Open Space, Timberland and Inventory Deferment." Assessments under the Property Tax Code are to be based upon one hundred percent (100%) of market value. The appraised value of residential homestead property may be limited to the lesser of the market value of the property, or the sum of the appraised value of the property for the last year in which it was appraised, plus ten percent (10%) of such appraised value multiplied by the number of years since the last appraisal, plus the market value of all new improvements on the property. Once an appraisal roll is prepared and approved by the Appraisal Review Board, it is used by the District in establishing its tax rate.

The Property Tax Code requires the Appraisal District to implement a plan for periodic reappraisal of property to update appraised values. The plan must provide for appraisal of all real property by the appraisal district at least once every three (3) years. It is not known what frequency of reappraisal will be utilized by the Appraisal District or whether reappraisals will be conducted on a zone or county-wide basis.

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.

District and Taxpayer Remedies

Under certain circumstances, taxpayers and taxing units, including the District, may appeal orders of the appraisal review board by filing a petition for review in district court within forty-five (45) days after notice is received that a final order has been entered. In such event, the value of the property in question will be determined by the court, or by a jury, if requested by any party. In addition, taxing units, such as the District, are entitled to challenge certain matters before the appraisal review board, including the level of appraisals of a certain category of property, the exclusion of property from the appraisal rolls or the granting in whole or in part of certain exemptions. A taxing unit may not, however, challenge the valuation of individual properties.

The Property Tax Code 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.

Agricultural, Open Space, Timberland and Inventory Deferment

The Property Tax Code permits land designated for agricultural use (including wildlife management), open space, or timberland to be appraised at its value based on the land's capacity to produce agriculture or timber products rather than at its fair market value. The Property Tax Code permits, under certain circumstances, that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of any of such designations must apply for the designation, and the Appraisal District is required by the Property Tax Code to act on each claimant's right to the designation individually. If the landowner of qualified open space land is a member of the U.S. armed forces, subject to certain conditions, the appraisal of land as qualified open space land does not change while the landowner is deployed or stationed outside Texas. A claimant may waive the special valuation as to taxation by some political subdivisions and not as to others. If a claimant receives the designation and later loses it by changing the use of the property or

selling it to an unqualified owner, the District can collect taxes based on the new use for the three (3) years prior to the loss of the designation for agricultural, timberland or open space land.

Notice and Hearing Procedures

The Property Tax Code establishes procedures for providing notice and the opportunity for a hearing for taxpayers in the event of certain proposed tax increases and provides for taxpayers referenda which could result in the repeal of certain tax increases. The District is required to publish a notice of a public hearing regarding the tax rate proposed to be levied in the current year and comparing the proposed tax rate to the tax rate set in the preceding year.

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, subject to certain homestead exemptions.

Developed Districts

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

Developing Districts

Districts that do not meet the classification of a Special Taxing Unit or a Developed District can be classified as Developing Districts. The qualified voters of these districts, upon the Developing District's adoption of a total tax rate that would impose more than 1.08 times the amount of the total tax 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, subject to certain homestead exemptions.

The District

A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made on an annual basis. The District has been designated as a Developing District for the 2022 tax year. 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 the collection functions to another governmental entity. By September 1 of each year, or as soon thereafter as practicable, the rate of taxation is set by the Board based upon the valuation of property within the District as of the preceding January 1 and the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations.

Taxes are due on receipt of the tax bill and become delinquent after January 31 of the following year or on the first day of the calendar month next following the expiration of twenty-one (21) days after mailing of the tax bills, whichever occurs later. A delinquent tax incurs an initial penalty of six percent (6%) of the amount to the tax and accrues an additional penalty of one percent (1%) per month up to July 1, at which time the total penalty becomes twelve percent (12%). In addition, delinquent taxes accrue interest at one percent (1%) per month. If the tax is not paid by July 1, an additional penalty of up to twenty percent (20%) of the total amount of taxes, penalties and interest then due may, under certain circumstances, be imposed by the District. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payments, partial payments of taxes and the postponement of the delinquency date of taxes under certain circumstances. The owner of a residential homestead property who is (i) a person sixty-five (65) years of age or older, (ii) under a disability for the purpose of payment of disability insurance benefits under the Federal Old Age Survivors and Disability Insurance Act or (iii) qualifies as a disabled veteran under Texas law, is entitled by law to pay current taxes on a residential homestead in installments or to defer the payment of taxes without penalty during the time of ownership. Additionally, a person who is delinquent on taxes for a residential homestead is entitled to an agreement with the District to pay such taxes in equal installments over a period of between 12 and 36 months as determined by the District) when such person has not entered into another installment agreement with respect to the delinquent taxes within the preceding twenty-four (24) months.

Collection of Delinquent Taxes

Taxes levied by the District are a personal obligation of the owner of the property on January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to the 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 tax liens of all other such taxing units. A tax lien on real property has priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien. In the event a taxpayer fails to make timely payment of taxes due the District, the District may file suit to foreclose its lien securing payment of the tax, to enforce personal liability for the tax, or both, subject to certain restrictions. Whether a lien of the United States is on a parity with or takes priority over a tax lien of the District is determined by applicable federal law. In the absence of such federal law, the District's tax lien takes priority over a tax lien of the United States. The ability of the District to collect delinquent taxes by foreclosure may be adversely affected by the amount of taxes owed to other taxing units, the foreclosure sale price attributable to market conditions, the taxpayer's right to redeem the property within six (6) months of foreclosure (2 years in the case of residential or agricultural property), or by bankruptcy proceedings which restrain the collection of a taxpayer's debts or modify such debts. The Financial Institutions Reform, Recovery and Enforcement Act of 1989 ("FIRREA") contains certain provisions which affect the time for protesting property valuations, the fixing of tax liens and the collection of penalties and interest on delinquent taxes on real property owned by the Federal Deposit Insurance Corporation ("FDIC") when the FDIC is acting as the conservator or receiver of an insolvent financial institution.

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 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. For the 2022 tax year, the District levied a total tax rate of \$1.000 per \$100 of assessed valuation composed of the following: a Utility System debt service tax rate of \$0.275 per \$100 of assessed valuation; a Road System debt service tax rate of \$0.255 per \$100 of assessed valuation; and a maintenance and operations tax rate of \$0.470 per \$100 of assessed valuation.

Tax Rate Limitation

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

Historical Tax Collections

The following table illustrates the collection history of the District for the 2015-2022 tax years:

Tax Year	Certified Assessed Valuation	Tax Rate/ \$100	Adjusted Levy	% of Current Collections	Fiscal Year	% of Total Collections (a)
					Ending 9/30	
2015	\$ 459,666	\$1.000	\$ 4,597	100.00%	2016	100.00%
2016	480,774	1.000	4,808	100.00%	2017	100.00%
2017	457,796	1.000	4,578	100.00%	2018	100.00%
2018	472,229	1.000	4,722	100.00%	2019	100.00%
2019	704,505	1.000	7,045	100.00%	2020	100.00%
2020	785,255	1.000	7,853	100.00%	2021	100.00%
2021	23,289,884	1.000	232,899	100.00%	2022	100.00%
2022	100,333,463 (b)	1.000	1,003,335	(c)		(c)

(a) Collections as of September 30, 2022.

(b) Excludes the \$2,266,955 of value under review by the Appraisal District, which represents 80% of the value under review and is the estimated minimum amount that ultimately will be certified as taxable by the Appraisal District.

(c) In process of collection.

Tax Rate Distribution

	2022	2021	2020	2019	2018
Utility System Debt Service	\$0.2750	\$0.0000	\$0.0000	\$0.0000	\$0.0000
Road System Debt Service	\$0.2550	\$0.0000	\$0.0000	\$0.0000	\$0.0000
Maintenance and Operations	<u>\$0.4700</u>	<u>\$1.0000</u>	<u>\$1.0000</u>	<u>\$1.0000</u>	<u>\$1.0000</u>
Total	\$1.0000	\$1.0000	\$1.0000	\$1.0000	\$1.0000

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value for the 2018 - 2022 tax years by type of property.

Type of Property	2022 Assessed Valuation (a)	2021 Assessed Valuation	2020 Assessed Valuation	2019 Assessed Valuation	2018 Assessed Valuation
Land	\$ 27,737,832	\$ 14,186,868	\$ 2,301,636	\$ 2,346,081	\$ 2,991,387
Improvements	79,229,262	12,471,360	265,200	278,150	263,240
Personal Property	1,898	0	0	0	0
Exemption	<u>(6,635,529)</u>	<u>(3,368,344)</u>	<u>(1,781,581)</u>	<u>(1,919,726)</u>	<u>(2,782,398)</u>
Total	\$ 100,333,463	\$ 23,289,884	\$ 785,255	\$ 704,505	\$ 472,229

(a) Excludes the \$2,266,955 of value under review by the Appraisal District, which represents 80% of the value under review and is the estimated minimum amount that ultimately will be certified as taxable by the Appraisal District.

Exemptions and Special Valuations

As discussed in the section titled "TAXING PROCEDURES" herein, certain property in the District may be exempt from taxation by the District. According to the Appraisal District, as of January 1, 2022, land totaling \$1,630,627 in market value was designated for agricultural use or qualified open space, no land was designated for timber use, and 189 parcels totaling \$22,164,324 in market value were designated as residential inventory.

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
Grand Homes 2014 LP (a)	Land & Improvements	\$ 6,434,016
M/I Homes of DFW LLC (a)	Land & Improvements	2,437,318
Beazer Homes Texas LP (a)	Land & Improvements	2,122,051
Prairie Ridge Partners LP (b)	Land & Improvements	1,265,278
Homeowner	Land & Improvements	531,151
Homeowner	Land & Improvements	508,008
Homeowner	Land & Improvements	503,277
Homeowner	Land & Improvements	502,989
Homeowner	Land & Improvements	501,994
Homeowner	Land & Improvements	<u>497,636</u>
Total		<u>\$15,303,718</u>

Percentage of 2022 Assessed Valuation

14.92 %

(a) See "HOMEBUILDERS WITHIN THE DISTRICT."

(b) See "THE DEVELOPERS."

Tax Rate Calculations

The tax rate calculations set forth below are presented to indicate the tax rates per \$100 of Taxable Assessed Valuation that would be required to meet certain debt service requirements if no growth in the District occurs beyond the 2022 Certified Taxable Assessed Valuation (\$102,600,418) or the Estimate of Value as of October 1, 2022 (\$153,489,248). The foregoing further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2023–2048)	\$775,313
Tax Rate of \$0.80 on the 2022 Certified Taxable Assessed Valuation produces	\$779,763
Tax Rate of \$0.54 on the Estimate of Value as of October 1, 2022 produces	\$787,400
Maximum Annual Debt Service Requirement (2047).....	\$843,400
Tax Rate of \$0.87 on the 2022 Taxable Assessed Valuation produces.....	\$847,992
Tax Rate of \$0.58 on the Estimate of Value as of October 1, 2022 produces	\$845,726

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 FINANCIAL DATA - Estimated Overlapping Debt”), certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Set forth below is a compilation of all 2022 taxes levied by such jurisdictions per \$100 of assessed valuation. Such levies do not include local assessments for community associations, fire department contributions, charges for solid waste disposal, or any other dues or charges made by entities other than political subdivisions.

<u>Taxing Jurisdiction</u>	<u>2022 Tax Rate/ Per \$100 of A.V.</u>
The District	\$1.000000
Ellis County	0.273001
Midlothian ISD	1.294600
Ellis County ESD No. 2	0.099500
Ellis County Lateral Road	<u>0.022866</u>
Estimated Total Tax Rate	<u>\$2.689967</u>

THE DISTRICT

General

The District was created on August 26, 2004, by Order of the Ellis County Commissioners Court as a fresh water supply district for the purposes and with the powers set forth in Chapters 49 and 53, Texas Water Code, including the powers to conserve, transport and distribute fresh water from any sources for domestic and commercial purposes inside and/or outside the District’s boundaries. Pursuant to an election held by the District on November 2, 2004, the District subsequently assumed sanitary sewer powers and the authority to exercise the powers and functions of a road district under Chapter 257, Texas Transportation Code. The District operates pursuant to the provisions of Article III, Section 52, and Article XVI, Section 59, of the Texas Constitution and is, other than with respect to road improvements, under the continuing supervisory jurisdiction of the TCEQ. The District contains approximately 972.54 acres of land.

Location of the District

The District is located wholly within Ellis County, approximately 4 miles northwest of the City of Midlothian, approximately 22 miles south of the City of Grand Prairie, Texas, and approximately 28 miles southwest of the central downtown business district of the City of Dallas and lies wholly within Midlothian Independent School District and the extraterritorial jurisdiction of the City. The District is bordered on the North by Lakeview Drive, by developing acreage and the Business 287 on the east and by the Johnson County line on the west. Access to the District is provided by the heading north on Business 287 from Midlothian for approximately 3.5 miles to Prairie Ridge Blvd. Take a left, heading west on Prairie Ridge Blvd for approximately 1.0 mile to the District.

Management of the District

The District is governed by a board, consisting of five (5) supervisors, which has control over and management supervision of all affairs of the District. All of the four (4) present members of the Board own property within the District, although none resides in the District. Supervisors are elected in even-numbered years for four-year staggered terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Blake Ezell	President	2024
Andrew Henk	Vice President	2026
Douglas Wilder	Secretary/Treasurer	2024
Teresa Morrow	Assistant Secretary	2024
Vacant	_____	2026

The District contracts with the following companies and individuals to provide certain necessary services as follows:

Tax Assessor/Collector – The District's Tax Assessor/Collector is Richard Rozier, the Ellis County Tax Assessor/Collector.

Bookkeeper – The District contracts with Dye & Toverly, LLC, for bookkeeping services.

Utility System Operator – The District's operator is Mustang Special Utility District ("MSUD").

Auditor – The District's financial statements for the fiscal year ended April 30, 2022, were audited by McCall Gibson Swedlund Barfoot PLLC, a copy of which is included as APPENDIX A.

Engineer – The consulting engineer retained by the District in connection with the design and construction of the District's facilities is Peloton Land Solutions (the "Engineer").

Bond Counsel – The District has engaged Winstead PC, Dallas, Texas, as Bond Counsel in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are based on a percentage of the Bonds actually issued, sold and delivered and, therefore, such fees are contingent on the sale and delivery of the Bonds.

Disclosure Counsel – The District has engaged McCall, Parkhurst & Horton L.L.P., Houston, Texas, as Disclosure Counsel in connection with the issuance of the Bonds. The legal fees to be paid Disclosure Counsel for services rendered in connection with the issuance of the Bonds would be contingent on the sale and delivery of the Bonds.

General Counsel – The District has engaged Allen Boone Humphries Robinson LLP, Houston, Texas, as General Counsel to the District. The legal fees to be paid to General Counsel for services rendered in connection with the issuance of the Bonds are contingent upon the sale and delivery of the Bonds.

Financial Advisor – The District has engaged the firm of Robert W. Baird & Co. Incorporated as financial advisor to the District. Payment to the Financial Advisor by the District is contingent upon the issuance, sale 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.

Historical General Operating Fund

The District is required by statute to have a certified public accountant prepare and file an annual audit of its financial records with the TCEQ. The figures for fiscal year ended April 30, 2021, and April 30, 2022, were obtained from the District's audited financial statement. See "APPENDIX A."

	Fiscal Year End 04/30	
	2022	2021
<u>Revenues</u>		
Property Taxes	\$ 235,713	\$ 10,832
Water Service	236,291	60,120
Wastewater Service	176,877	41,019
Permit Fees	190,043	-
Misc. & Investment Revenues	<u>25,099</u>	<u>3,056</u>
Total Revenues	\$ 864,023	\$ 115,027
<u>Expenditures</u>		
Professional Fees	\$ 248,718	\$ 143,122
Contracted Services	106,183	33,028
Purchased Water Services	224,088	52,021
Purchased Sewer Services	292,137	60,705
Repairs and Maintenance	167,868	131,723
Other	<u>28,781</u>	<u>18,117</u>
Total Expenditures	\$ 1,067,775	\$ 438,716
Net Revenues (Deficit)	\$ (203,752)	\$ (323,689)
Developer Advances	\$ 248,763	\$ 315,491
Beginning Fund Balance	\$ (6,315)	\$ 1,883
Ending Fund Balance	\$ 38,696	\$ (6,315)

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Status of Development

Development within the District currently consists of Prairie Ridge, Phases 1, 2, 3, and 4 (496 total lots developed on approximately 152.63 acres). Prairie Ridge Phases 5, 6, and 7 (439 total lots on approximately 120.48 acres) are currently under development. As of January 1, 2023, there were approximately 328 completed single-family homes within the District, 28 homes under construction, and 140 vacant developed lots available for home construction. The remaining land within the District is comprised of approximately 504.07 acres of undeveloped but developable land and approximately 193.36 acres of land are not developable. Recreational amenities for residents within the District include an approximate 2-acre park with a playground.

The table below summarizes the development within the District as of January 1, 2023, by phase.

Developed Single-Family Residential	Approximate Acreage	Lots	Homes		Vacant Developed Lots
			Completed	Under Construction	
Prairie Ridge, Phase 1	66.51	193	166	0	27
Prairie Ridge, Phase 2	26.99	98	78	9	11
Prairie Ridge, Phase 3	31.35	99	84	3	12
Prairie Ridge, Phase 4	27.78	106	0	16	90
Totals	152.63	496	328	28	140
Recreation	2				
Residential Under Construction	120.48				
Remaining Undeveloped but Developable Acres	504.07				
Undevelopable Acreage	193.36				
Total	972.54				

HOMEBUILDERS WITHIN THE DISTRICT

Builders currently building homes within the District include Beazer Homes, M/I Homes, Grand Homes, and Trophy Signature Homes. The homes being marketed in the District range in size from approximately 1,700 square feet to 3,600 square feet and range in price from approximately \$400,000 to \$700,000.

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PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(November 2022)



**PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(November 2022)**



THE DEVELOPERS

The Role of a Developer

In general, the activities of a landowner or developer in a district such as the District include designing the project, defining a marketing program and setting building schedules; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling or leasing improved tracts or commercial reserves to other developers or third parties. A developer is under no obligation to a district to undertake development activities according to any particular plan or schedule. Furthermore, there is no restriction on a developer's right to sell any or all of the land which the developer owns within a district. In addition, the developer is ordinarily the major taxpayer within the district during the early stages of development. The relative success or failure of a developer to perform in the above-described capacities may affect the ability of a district to collect sufficient taxes to pay debt service and retire bonds.

Prospective Bond purchasers 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.

None of the Developers, nor any affiliate of any such entity, if any, is obligated to pay principal of or interest on the Bonds. Furthermore, none of the Developers 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 such 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.

The Developers

PRA Prairie Ridge LP, a Texas limited partnership ("PRA PR"), purchased 517 acres of land in the District in 2005 for the purpose of developing such land with road and utility facilities to serve single-family development within the District. In 2007, PRA PR sold 461 acres within the District to PRA Prairie Ridge Development Corp., a Texas corporation, which in 2018 became Prairie Ridge Capital Corp. ("Capital Corp"). In 2018, Capital Corp sold to Prairie Ridge Partners LP, a Texas limited partnership ("Partners"), approximately 87 acres within the District that has been developed by Partners as Prairie Ridge, Phases 1 and 2 (291 total lots). In 2020, Capital Corp sold to Prairie Ridge Phase 3 LP, a Texas limited partnership ("PR Phase 3"), approximately 26 acres within the District that has been developed by PR Phase 3 as Prairie Ridge, Phase 3 (99 lots). In 2021, Capital Corp sold to Prairie Ridge, Phase 4 LP, a Texas limited partnership ("PR Phase 4"), approximately 28 acres within the District that have been developed as Prairie Ridge, Phase 4 (106 lots). In 2021, Capital Corp sold to Beazer Homes Texas, L.P., a Delaware limited partnership ("Beazer"), approximately 81 acres within the District that are being developed as Prairie Ridge, Phases 5 and 6 (289 total lots). In 2022, Capital Corp sold to M/I Homes of DFW, LLC, a Delaware limited liability company ("M/I"), approximately 40 acres within the District that are being developed as Prairie Ridge, Phase 7 (150 lots). PRA PR, Capital Corp, Partners, PR Phase 3, PR Phase 4, Beazer, and M/I are referred to herein collectively as the "Developers." Each of PRA PR, Capital Corp, Partners, PR Phase 3, and PR Phase 4 (collectively the "PRA Developers") is an affiliate of Provident Realty Advisors, Inc., a Texas corporation ("PRA").

Additionally, Soap Box Partners LP ("Soap Box") owns approximately 326.90 acres of undeveloped land in the District, Prairie Ridge North LP ("PR North") owns approximately 56.76 acres of undeveloped land in the District, and Prairie Ridge Mountain Creek LP ("PR Mountain Creek") owns approximately 93.22 acres of undeveloped land in the District. Each of Soap Box, PR North, and PR Mountain Creek is an affiliate of PRA, and each has indicated that the land it owns within the District is intended to be developed for single-family residential purposes, although the District can make no assurances as to the ultimate disposition of such land.

Pursuant to reimbursement agreements between each of the Developers and the District, or partial assignments of prior reimbursement agreements as to land subsequently purchased, each of the Developers has the right to be reimbursed from the proceeds of District bonds for expenditures made toward the construction of the Utility System and the Road System. The Developers also have the right to be reimbursed

from the proceeds of District bonds for advances made to pay certain expenses of operating and administering the District, subject to legal and regulatory limitations.

No representations or assurances can be made regarding the plans of any Developers for (i) future development, if any, of the remaining phases of developable land within the District, or (ii) the sale of any Developer’s land within the District.

Development Financing

The PRA Developers received a loan in the amount of \$16,650,000 funded through a TIPS (Texas Infrastructure Program Taxable Bonds) financing, which loan is collateralized by future District reimbursement/receivables. The outstanding balance of the loan as of January 1, 2023, is \$7,142,000.

PRA secured a land loan from Farmers Bank. The outstanding balance of the loan as of January 1, 2023, is \$3,000,000.

PRA has another land loan with Liberty Bankers Life Insurance Company. The outstanding balance of that loan as of January 1, 2023, is \$13,500,000.

According to PRA and the PRA Developers, they all are in compliance with all material terms of such loans.

Lot-Sales Contracts

The Developers, through their subsidiary entities, have entered into lot sales contracts with each of Beazer Homes, M/I Homes, Grand Homes, and Trophy Signature Homes.

According to the Developers, each of the builders is in compliance with their respective lot sale contracts. As of January 1, 2023, the total number of lots contracted and purchased by each builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
Beazer Homes	433	433
M/I Homes	258	258
Grand Homes	108	108
Trophy Signature Homes	109	109
Totals	908	908

THE ROAD SYSTEM

Certain of the District’s roads and ancillary improvements, including drainage facilities appurtenant to the roads (the “Road System”), that lie within the District’s boundaries will be funded with the proceeds of the Bonds. Construction of the District’s roads is subject to certain regulation by the County. The roads in the District are constructed with reinforced concrete pavement with curbs on cement or lime stabilized subgrade. Remaining streets provide local interior service within the District. The Road System also includes streetlights, sound barriers, drainage facilities appurtenant to the roads, and franchise utilities (power, phone and cable). Public utilities such as water, wastewater and storm drainage are typically located within street right of ways. The Road System is maintained by the District.

THE UTILITY SYSTEM

Regulation

According to the Engineer, the water distribution and wastewater collection lines constructed by the District (the “Utility System”) have been 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, and the County. According to the District’s Engineer, the design of all such facilities has been approved by all required governmental agencies and inspected by the TCEQ.

Operation of the District’s waterworks and wastewater facilities is subject to regulation by, among others, the Environmental Protection Agency and the TCEQ. In many cases, regulations promulgated by these agencies have become effective only recently and are subject to further development and revisions.

Description of the System

- Water Supply -

The District's water supply is obtained from the City pursuant to the provisions of an Interlocal Cooperative Treated Water Agreement, dated February 16, 2006 (the "Water ILA"), among the District, the City and Johnson County Fresh Water Supply District No. 2 ("JCFWSD 2"). Under the Water ILA, the District and JCFWSD 2 are entitled to an amount not to exceed 4,000,000 gallons per day of treated water, with an annual average maximum usage of 2,000,000 gallons per day. JCFWSD 2 currently is undeveloped and is not taking water under the Water ILA. According to the District's engineer, the contracted amounts under the Water ILA will be sufficient to serve 5,000 equivalent single-family connections.

As of January 1, 2023, the District was serving approximately 298 active residential connections.

- Wastewater Treatment Capacity -

District wastewater is treated pursuant to the provisions of an Interlocal Cooperative Wastewater Service Agreement, dated February 16, 2006 (the "Wastewater ILA"), among the District, the City and JCFWSD 2. Under the Wastewater ILA, the District and JCFWSD 2 are entitled to deliver to the City a minimum of 1,260,000 gallons per day average daily flow of wastewater or an amount otherwise sufficient to serve 4,000 equivalent single-family connections. JCFWSD 2 currently is undeveloped and is not transporting wastewater for treatment under the Wastewater ILA. According to the District's engineer, capacity under the Wastewater ILA is operational and available to serve the contracted 4,000 equivalent single-family connections.

As of January 1, 2023, the District was serving approximately 298 active residential connections.

- Drainage -

The District generally drains to the east to Soap Creek. According to the District's engineer, none of the developable land within the District is within the 100-year flood plain.

LEGAL MATTERS

Legal Opinions

The District will furnish to the Underwriter a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Attorney General has examined a transcript of proceedings authorizing the issuance of the Bonds, and that based upon such examination, the Bonds are valid and binding obligations of the District payable from the proceeds of an annual ad valorem tax, levied without legal limitation as to rate or amount, upon all taxable property within the District. The District will also furnish the approving legal opinion of Winstead PC, Dallas, Texas, Bond Counsel, to the effect that, based upon an examination of such transcript, the Bonds are valid and binding obligations of the District under the Constitution and laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the Registered Owners of the Bonds may be limited by laws relating to sovereign immunity and to bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District. The legal opinion of Bond Counsel will further state that the Bonds are payable, both as to principal and interest, from the levy of ad valorem taxes, without legal limitation as to rate or amount, upon all taxable property within the District.

The District will also furnish the legal opinion of Bond Counsel to the District to the effect that interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes under existing law, subject to the matters discussed below under "TAX MATTERS."

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

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

Legal Review

In its capacity as Bond Counsel, Winstead PC, has reviewed the information appearing in this OFFICIAL STATEMENT under the captioned sections "THE BONDS" (except for information under the subheading "Use and Distribution of Bond Proceeds"), "THE DISTRICT," "TAXING PROCEDURES," "LEGAL MATTERS - Legal Opinions," and "TAX MATTERS" solely to determine whether such information fairly summarizes the documents, laws and procedures referred to therein. Such firm has not independently verified factual information contained in this OFFICIAL STATEMENT, nor has such firm conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein.

TAX MATTERS

Opinion

Winstead PC, Dallas, Texas, Bond Counsel will render its opinion that, under existing law, and assuming compliance with certain covenants and the accuracy of certain representations, discussed below, interest on the Bonds is excludable from gross income for federal income tax purposes and is not an item of preference for purposes of the alternative minimum tax; however, such interest is taken into account in determining the "annual adjusted financial statement income" (as defined in section 56A of the Code) of "applicable corporations" (as defined in section 59(k) of the Code) for the purpose of computing the alternative minimum tax imposed on corporations.

Section 103 of the Internal Revenue Code of 1986, as amended (the "Code") establishes certain requirements that must be met at and subsequent to the issuance of the Bonds in order for interest on the Bonds to be and remain excludable from federal gross income. Included among these continuing requirements are certain restrictions and prohibitions on the use of bond proceeds, yield and other restrictions on the investment of gross proceeds and other amounts, and the arbitrage rebate requirement that certain earnings on gross proceeds be rebated to the federal government. Failure to comply with these continuing requirements may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactively to the date of their issuance. The Issuer has covenanted to comply with certain procedures, and has made certain representations and certifications designed to assure compliance with these Code requirements. In rendering its opinion, Bond Counsel will rely on these covenants, on representations and certifications of the Issuer relating to matters solely within its knowledge (which Bond Counsel has not independently verified), and will assume continuing compliance by the Issuer.

The statutes, regulations, published rulings, and court decisions on which Bond Counsel has based its opinion are subject to change by Congress, as well as to subsequent judicial and administrative interpretation by courts and the Internal Revenue Service (the "Service"). No assurance can be given that such law or its interpretation will not change in a manner that would adversely affect the tax treatment of receipt or accrual of interest on, or the acquisition, ownership, market value, or disposition of, the Bonds. No ruling concerning the tax treatment of the Bonds has been sought from the Service, and the opinion of Bond Counsel is not binding on the Service. The Service has an ongoing audit program of tax-exempt obligations to determine whether, in the Service's view, interest on such tax-exempt obligations is excludable from gross income for federal income tax purposes. No assurance can be given regarding whether or not the Service will commence an audit of the Bonds. If such an audit were to be commenced, under current procedures, the Service would treat the Issuer as the taxpayer, and owners of the Bonds would have no right to participate in the audit process. In this regard, in responding to or defending an audit with respect to the Bonds, the Issuer might have different or conflicting interests from those of the owners of the Bonds.

An "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Bonds, is included in a corporation's "adjusted financial statement income," ownership of the Bonds could subject a corporation to alternative minimum tax consequences.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Initial Purchasers made in a certificate dated the date of delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the

provisions of the Bond Order subsequent to the issuance of the Bonds. The Bond Order contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Bonds, the manner in which the proceeds of the Bonds are to be invested, the reporting of certain information to the United States Treasury, and rebating any arbitrage profits to the United States Treasury. Failure to comply with any of these covenants would cause interest on the Bonds to be includable in the gross income of the owners thereof from date of the issuance of the Bonds.

The opinions set forth above are based on existing law and Bond Counsel's knowledge of relevant facts on the date of issuance of the Bonds. Such opinions are an expression of professional judgment and are not a guarantee of result. Except as stated above, Bond Counsel expresses no opinion regarding any other federal, state, or local tax consequences under current law or proposed legislation resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of, the Bonds. Further, Bond Counsel assumes no obligation to update or supplement its opinions to reflect any facts or circumstances that may come to its attention or any changes in law that may occur after the issuance date of the Bonds. In addition, Bond Counsel has not undertaken to advise in the future whether any events occurring after the issuance date of the Bonds may affect the tax-exempt status of interest on the Bonds.

Federal Income Tax Accounting Treatment of Original Issue Discount

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

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (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.

State, Local and Foreign Taxes

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

Changes in Law

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under federal or state law or otherwise prevent owners of the Bonds from realizing the full current benefit of the tax status of such interest.

In addition, such legislation or actions (whether currently proposed, proposed in the future, or enacted) and such decisions could affect the market price or marketability of the Bonds.

Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Information Reporting and Backup Withholding

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

Not Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a “financial institution,” on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer’s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a “financial institution” allocable to tax-exempt 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 **not** designated the Bonds as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code.

NO-LITIGATION CERTIFICATE

With the delivery of the Bonds, the authorized supervisors of the Board will, on behalf of the District, execute and deliver to the Underwriter a certificate dated as of the date of delivery, to the effect that no litigation of any nature is pending against or, to the knowledge of the District’s certifying officers, threatened against the District, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; in any manner questioning the authority or proceedings for the authorization, execution or delivery of the Bonds; affecting the provision made for the payment of or security for the Bonds; or affecting the validity of the Bonds, the corporate existence or boundaries of the District or the title of the then present officers and supervisors of the Board.

NO MATERIAL ADVERSE CHANGE

The obligations of the Underwriter to take and pay for the Bonds, and 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 financial condition 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 the sale.

CONTINUING DISCLOSURE OF INFORMATION

In the Bond Order, the District has made 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, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The District will provide certain financial information and operating data annually. The financial information and operating data which will be provided is found in the section titled “APPENDIX A – Financial Statements of the District,” “TAX DATA,” and “THE DISTRICT – Historical General Operating Fund.” 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 2023. 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 financial statements 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 regulation.

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 EMMA of the change.

Event Notices

The District will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material 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 CFR §240.15c2-12 (the "Rule" or "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, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties. Neither the Bonds or the Bond Order make any provision for debt service reserve or a trustee.

For the purposes of event (12) in the immediately preceding paragraph, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District. For the purposes of events (15) and (16), the term "Financial Obligation" means 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) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined the Rule) has been provided to the MSRB consistent with the Rule.

The District shall notify the MSRB in an electronic format prescribed by the MSRB, in a timely manner, of any failure by the District to provide financial information or operating data in accordance with the Rule. All documents provided to the MSRB pursuant to this section shall be accompanied by identifying information as prescribed by the MSRB.

Availability of Information from MSRB

The District has agreed to provide the foregoing information only to the MSRB. The information will be available to holders of Bonds 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 registered or beneficial owners of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

The District may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, if by only (1) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering made hereby in compliance with the Rule, taking into account any amendments or interpretations of SEC Rule 15c2-12 to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners 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 rule 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 prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

Since its initial continuing disclosure undertaking in 2021, the District has complied in all material respects with all continuing disclosure covenants made in accordance with SEC Rule 15c2-12 with the exception of the following: on June 9, 2022, the District issued its Bond Anticipation Note, Series 2022 in the amount of \$4,535,000 (the "Note") but failed to file an event notice pursuant to SEC Rule 15c2-12. The District filed event notices with the MRSB via EMMA on January 18, 2023, regarding the incurrence of a financial obligation, as well as a failure to file an event notice of the incurrence of a financial obligation. The District has instituted procedures to ensure timely filing of all future notices of all required information.

OFFICIAL STATEMENT

General

The information contained in this Official Statement has been obtained primarily from the District's records, the District Engineer, the Developers, the Tax Assessor/Collector, the Auditor, the Ellis 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, 2022, were prepared by McCall Gibson Swedlund Barfoot PLLC, and have been included herein as "APPENDIX A." McCall Gibson Swedlund Barfoot PLLC, Certified Public Accountant, has consented to the publication of such financial statements in this Official Statement.

Experts

The information contained in this Official Statement relating to development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPERS -

The Developers” has been provided by the Developers and has been included herein in reliance upon the authority and knowledge of each such party concerning the matters described therein.

The information contained in this Official Statement relating to the District’s financial statements, in particular, the information in APPENDIX A, has been provided by the Auditor and has been included herein in reliance upon their authority and knowledge of such party concerning the matters described therein.

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

The information contained in this Official Statement relating to assessed valuations of property generally and, in particular, that information concerning valuations, analysis of the tax base and percentages of tax collections contained in the sections captioned “TAX DATA” has been provided by the Ellis Appraisal District and the District's Tax Assessor/Collector, and has been included herein in reliance upon the authority of such parties as experts in the field of tax assessing and collecting.

Certification as to Official Statement

At the time of payment for and delivery of the Bonds, the District will furnish the Underwriter a certificate, executed by the authorized supervisors of the Board of Supervisors of the District, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the District contained in this Official Statement, on the date thereof and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the District and its affairs, including its financial affairs, are concerned, this Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated herein or necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading; and (c) insofar as the descriptions and statements, including financial data, contained in this Official Statement, of or pertaining to entities other than the District, such statements and data have been obtained from sources which the District believes to be reliable, and the District has no reason to believe that they are untrue in any material respect.

Updating the Official Statement

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

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CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources which 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 Supervisors of Ellis County Fresh Water Supply District No. 1 as of the date specified on the first page hereof.

/s/ Blake Ezell
President, Board of Supervisors
Ellis County Fresh Water Supply District No. 1

ATTEST:

/s/ Douglas Wilder
Secretary, Board of Supervisors
Ellis County Fresh Water Supply District No. 1

APPENDIX A
FINANCIAL STATEMENTS OF THE DISTRICT

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

ELLIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

ELLIS COUNTY, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2022

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	1-3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4-8
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET	9-10
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES	12-13
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	14
NOTES TO THE FINANCIAL STATEMENTS	15-25
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-BUDGET AND ACTUAL-GENERAL FUND	27
SUPPLEMENTARY INFORMATION REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE	
NOTES REQUIRED BY THE WATER DISTRICT FINANCIAL MANAGEMENT GUIDE (Included in the notes to financial statements)	
SERVICES AND RATES	29-31
GENERAL FUND EXPENDITURES	32
TAXES LEVIED AND RECEIVABLE	33-34
LONG-TERM DEBT SERVICE REQUIREMENTS	35
CHANGES IN LONG-TERM BOND DEBT	36-37
COMPARATIVE SCHEDULES OF REVENUES AND EXPENDITURES GENERAL FUND - TWO YEARS	38-41
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS	42-43

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INDEPENDENT AUDITOR'S REPORT

Board of Supervisors
Ellis County Fresh Water Supply
District No. 1
Ellis County, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Ellis County Fresh Water Supply District No. 1 (the "District") as of and for the year ended April 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information required by the Texas Commission on Environmental Quality as published in the *Water District Financial Management Guide* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The supplementary information, excluding that portion marked "Unaudited" on which we express no opinion or provide an assurance, has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 17, 2022

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022

Management's discussion and analysis of the financial performance of Ellis County Fresh Water Supply District No. 1 (the "District") provides an overview of the District's financial activities for the fiscal year ended April 30, 2022. Please read it in conjunction with the District's financial statements.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The basic financial statements include: (1) fund financial statements and government-wide financial statements and (2) notes to financial statements. The fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective like that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all the District's assets, liabilities and, if applicable, deferred inflows and outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

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

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022

FUND FINANCIAL STATEMENTS (Continued)

Governmental funds are reported in each of the financial statements. The focus in the fund financial statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in the Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

NOTES TO FINANCIAL STATEMENTS

The accompanying notes to financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the financial statements and accompanying notes, this report also presents certain required supplementary information ("RSI") and other supplementary information. The budgetary comparison schedule is included as RSI for the General Fund.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of the District's financial position. In the case of the District, liabilities exceeded assets by \$3,132,937 as of April 30, 2022. A portion of the District's net position reflects its net investment in capital assets (roads, water, wastewater and drainage facilities less any debt used to acquire those assets that is still outstanding).

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

The following is a comparative analysis of government-wide changes in net position:

	<u>Summary of Changes in the Statement of Net Position</u>		
	2022	2021	Change Positive (Negative)
Current and Other Assets	\$ 366,220	\$ 73,123	\$ 293,097
Capital Assets (Net of Accumulated Depreciation)	<u>20,442,295</u>	<u>18,980,214</u>	<u>1,462,081</u>
Total Assets	<u>\$ 20,808,515</u>	<u>\$ 19,053,337</u>	<u>\$ 1,755,178</u>
Due to Developers	\$ 18,034,523	\$ 19,858,898	\$ 1,824,375
Bonds Payable	5,710,151		(5,710,151)
Other Liabilities	<u>196,778</u>	<u>79,438</u>	<u>(117,340)</u>
Total Liabilities	<u>\$ 23,941,452</u>	<u>\$ 19,938,336</u>	<u>\$ (4,003,116)</u>
Net Position:			
Net Investment in Capital Assets	\$ (2,406,168)	\$ (231,243)	\$ (2,174,925)
Restricted	129,725		129,725
Unrestricted	<u>(856,494)</u>	<u>(653,756)</u>	<u>(202,738)</u>
Total Net Position	<u>\$ (3,132,937)</u>	<u>\$ (884,999)</u>	<u>\$ (2,247,938)</u>

The following table provides a summary of the District's operations for the years ended April 30, 2022, and April 30, 2021.

	<u>Summary of Changes in the Statement of Activities</u>		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 236,727	\$ 10,832	\$ 225,895
Charges for Services	603,211	101,139	502,072
Other Revenues	<u>25,161</u>	<u>3,056</u>	<u>22,105</u>
Total Revenues	<u>\$ 865,099</u>	<u>\$ 115,027</u>	<u>\$ 750,072</u>
Expenses for Services	<u>3,113,037</u>	<u>669,959</u>	<u>(2,443,078)</u>
Change in Net Position	\$ (2,247,938)	\$ (554,932)	\$ (1,693,006)
Net Position, Beginning of Year	<u>(884,999)</u>	<u>(330,067)</u>	<u>(554,932)</u>
Net Position, End of Year	<u>\$ (3,132,937)</u>	<u>\$ (884,999)</u>	<u>\$ (2,247,938)</u>

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022

FINANCIAL ANALYSIS OF THE DISTRICT'S GOVERNMENTAL FUNDS

The District's combined fund balance as of April 30, 2022, were \$192,589, an increase of \$198,904 from the prior year.

The General Fund fund balance increased by \$45,011, primarily due to current year operating revenues and developer advances exceeding the cost of operating the District.

The Debt Service Fund fund balance increased by \$153,886, primarily due to the receipt of capitalized interest from the sale of Series 2021 Road Bonds.

The Capital Projects Fund fund balance increased by \$7. The District issued its Series 2021 Road Bonds to reimburse developers for construction of District roads and facilities (see Note 13).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board of Directors adopted an unappropriated budget during the current fiscal year. The budget was amended to increase the budgeted amounts for most revenues and expenditures categories. Actual revenues were \$10,115 more than budgeted revenues, actual expenditures were \$99,418 more than budgeted expenditures and actual developer advances were \$1,292 more than budgeted advances. This resulted in a negative variance of \$88,011. See the budget to actual comparison for more information.

CAPITAL ASSETS

Capital assets as of April 30, 2022, total \$20,442,295 (net of accumulated depreciation) and include roads as well as the water, wastewater and drainage systems. Additional information on the District's capital assets can be found in Note 6 of this report.

Capital Assets At Year-End			
	2022	2021	Positive (Negative)
Capital Assets Not Being Depreciated:			
Construction in Progress	\$ 38,979	\$	\$ 38,979
Capital Assets, Net of Accumulated			
Roads	9,632,895	8,346,886	1,286,009
Water System	5,146,399	4,216,999	929,400
Wastewater System	2,803,647	2,803,647	
Drainage System	3,843,925	3,843,925	
Less Accumulated Depreciation	(1,023,550)	(231,243)	(792,307)
Total Net Capital Assets	\$ 20,442,295	\$ 18,980,214	\$ 1,462,081

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022

LONG-TERM DEBT ACTIVITY

As of April 30, 2022, the District had total bond debt payable of \$5,750,000. The changes in the debt position of the District during the fiscal year ended April 30, 2022, are summarized as follows:

Bond Debt Payable, May 1, 2021	\$ - 0 -
Add: Bond Sale	<u>5,750,000</u>
Bond Debt Payable, April 30, 2022	<u><u>\$ 5,750,000</u></u>

The District's Series 2021 Road bonds are not rated.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Ellis County Fresh Water Supply District No. 1, c/o Crawford & Jordan LLP, 19 Briar Hollow Lane, Suite 245, Houston, Texas 77027.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2022

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 148,546	\$ 153,886
Receivables:		
Property Taxes	1,014	
Service Accounts	62,767	
Construction in Progress		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	\$ 212,327	\$ 153,886
LIABILITIES		
Accounts Payable	\$ 148,017	\$
Accrued Interest Payable		
Due to Developers		
Security Deposits	24,600	
Long Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	\$ 172,617	\$ -0-
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 1,014	\$ -0-
FUND BALANCES		
Restricted for Authorized Construction	\$	\$
Restricted for Debt Service		153,886
Unassigned	38,696	
TOTAL FUND BALANCES	\$ 38,696	\$ 153,886
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 212,327	\$ 153,886
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

The accompanying notes to financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 7	\$ 302,439	\$	\$ 302,439
	1,014		1,014
	62,767		62,767
		38,979	38,979
		20,403,316	20,403,316
<u>\$ 7</u>	<u>\$ 366,220</u>	<u>\$ 20,442,295</u>	<u>\$ 20,808,515</u>
\$	\$ 148,017	\$	\$ 148,017
		24,161	24,161
		18,034,523	18,034,523
	24,600		24,600
		5,710,151	5,710,151
<u>\$ -0-</u>	<u>\$ 172,617</u>	<u>\$ 23,768,835</u>	<u>\$ 23,941,452</u>
<u>\$ -0-</u>	<u>\$ 1,014</u>	<u>\$ (1,014)</u>	<u>\$ -0-</u>
\$ 7	\$ 7	\$ (7)	\$
	153,886	(153,886)	
	38,696	(38,696)	
<u>\$ 7</u>	<u>\$ 192,589</u>	<u>\$ (192,589)</u>	<u>\$ -0-</u>
<u>\$ 7</u>	<u>\$ 366,220</u>		
		\$ (2,406,168)	\$ (2,406,168)
		129,725	129,725
		(856,494)	(856,494)
		<u>\$ (3,132,937)</u>	<u>\$ (3,132,937)</u>

The accompanying notes to financial statements are an integral part of this report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2022

Total Fund Balances - Governmental Funds	\$	192,589
--	----	---------

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		20,442,295
--	--	------------

Deferred tax revenues for the 2021 tax levy became part of recognized revenue in the governmental activities of the District.		1,014
---	--	-------

Certain liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds. These liabilities at year end consist of the following:

Due to Developers	\$ (18,034,523)	
Accrued Interest Payable	(24,161)	
Bonds Payable	<u>(5,710,151)</u>	<u>(23,768,835)</u>

Total Net Position - Governmental Activities	\$	<u>(3,132,937)</u>
--	----	--------------------

The accompanying notes to financial statements are an integral part of this report.

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ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2022

	General Fund	Debt Service Fund
REVENUES		
Property Taxes	\$ 235,713	\$
Water Service	236,291	
Wastewater Service	176,877	
Permit Fees	190,043	
Investment and Miscellaneous Revenues	25,099	62
TOTAL REVENUES	\$ 864,023	\$ 62
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 248,718	\$
Contracted Services	106,183	
Purchased Water Service	224,088	
Purchased Sewer Service	292,137	
Repairs and Maintenance	167,868	
Depreciation		
Other	28,781	
Capital Outlay		
Developer Interest		
Debt Service:		
Bond Interest		63,624
Bond Issuance Costs		
TOTAL EXPENDITURES/EXPENSES	\$ 1,067,775	\$ 63,624
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	\$ (203,752)	\$ (63,562)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$	\$ 217,448
Bond Discount		
Developer Advances	248,763	
TOTAL OTHER FINANCING SOURCES (USES)	\$ 248,763	\$ 217,448
NET CHANGE IN FUND BALANCES	\$ 45,011	\$ 153,886
CHANGE IN NET POSITION		
FUND BALANCES (DEFICIT)/NET POSITION - MAY 1, 2021	(6,315)	
FUND BALANCES/NET POSITION - APRIL 30, 2022	\$ 38,696	\$ 153,886

The accompanying notes to financial
statements are an integral part of this report.

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 235,713	\$ 1,014	\$ 236,727
	236,291		236,291
	176,877		176,877
	190,043		190,043
	25,161		25,161
<u>\$ - 0 -</u>	<u>\$ 864,085</u>	<u>\$ 1,014</u>	<u>\$ 865,099</u>
\$	\$ 248,718	\$	\$ 248,718
	106,183		106,183
	224,088		224,088
	292,137		292,137
	167,868		167,868
		792,307	792,307
	28,781		28,781
4,327,525	4,327,525	(4,327,525)	
750,621	750,621		750,621
	63,624	25,103	88,727
<u>413,607</u>	<u>413,607</u>		<u>413,607</u>
<u>\$ 5,491,753</u>	<u>\$ 6,623,152</u>	<u>\$ (3,510,115)</u>	<u>\$ 3,113,037</u>
<u>\$ (5,491,753)</u>	<u>\$ (5,759,067)</u>	<u>\$ 3,511,129</u>	<u>\$ (2,247,938)</u>
\$ 5,532,552	\$ 5,750,000	\$ (5,750,000)	\$
(40,792)	(40,792)	40,792	
	248,763	(248,763)	
<u>\$ 5,491,760</u>	<u>\$ 5,957,971</u>	<u>\$ (5,957,971)</u>	<u>\$ -0-</u>
\$ 7	\$ 198,904	\$ (198,904)	\$
		(2,247,938)	(2,247,938)
	(6,315)	(878,684)	(884,999)
<u>\$ 7</u>	<u>\$ 192,589</u>	<u>\$ (3,325,526)</u>	<u>\$ (3,132,937)</u>

The accompanying notes to financial
statements are an integral part of this report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED APRIL 30, 2022

Net Change in Fund Balances - Governmental Funds \$ 198,904

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

Governmental funds report tax revenues when collected. However, in the Statement of Activities, revenue is recorded in the accounting period for which the taxes are levied. 1,014

Governmental funds do not account for depreciation. However, in the government-wide financial statements, capital assets are depreciated and depreciation expense is recorded in the Statement of Activities. (792,307)

Governmental funds report capital asset costs as expenditures in the period purchased. However, in the government-wide financial statements, capital assets are increased by new purchases that meet the District's threshold for capitalization, and are owned and maintained by the District. 4,327,525

Governmental funds report bond discounts as other financing uses in the year paid. However, in the Statement of Net Position, bond discounts are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities. 40,792

Governmental funds report interest expenditures on long-term debt as expenditures in the year paid. However, in the Statement of Net Position, interest is accrued on the long-term debt through fiscal year-end. (25,103)

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position. (5,750,000)

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances, net any amount paid to the developer, are recorded as a liability. (248,763)

Change in Net Position - Governmental Activities \$ (2,247,938)

The accompanying notes to financial statements are an integral part of this report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 1. CREATION OF DISTRICT

On August 10, 2004, the City of Grand Prairie, Texas consented to the creation of Ellis County Fresh Water Supply District No. 1 (the “District”) and on August 26, 2004, the Ellis County Commissioners Court approved the order creating the District. The District was created for the purposes and with the powers set out under Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 53, Texas Water Code, as amended. The District was created to conserve, transport, and distribute fresh water from any sources for domestic and commercial purposes inside or outside the boundaries of the District. Pursuant to an election held on November 2, 2004, the District subsequently assumed sanitary sewer powers and road district powers, the latter under Article III, Section 52, of the Texas Constitution. The District is authorized to purchase, construct, acquire, own, operate, repair, improve, and extend sanitary sewer systems to control wastes, and exercise the rights, authority, privileges, and functions of a road district under Chapter 257, Transportation Code. The District is located wholly within Ellis County, Texas, and the extraterritorial jurisdiction of the City of Grand Prairie, Texas, and is under the continuing supervision of the Texas Commission on Environmental Quality (the “Commission”). The Board of Supervisors of the District held its first meeting on August 30, 2004.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (“GASB”). In addition, the accounting records of the District are maintained generally in accordance with the *Water District Financial Management Guide* published by the Commission.

The District is a political subdivision of the State of Texas governed by an elected board. GASB has established the criteria for determining whether an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”). The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

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

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

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District's Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special-purpose government and has the option of combining these financial statements.

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. Any amounts recorded due to and due from other funds are eliminated in the Statement of Net Position.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense. Internal activities between governmental funds, if any, are eliminated by adjustment to obtain net total revenues and expenses in the government-wide Statement of Activities.

Fund Financial Statements

The District's fund financial statements are combined with the government-wide financial statements. The fund financial statements include a Governmental Funds Balance Sheet and a Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Funds

The District has three governmental funds and considers each to be a major fund.

General Fund – To account for resources not required to be accounted for in another fund, customer service revenues, operating costs and general expenditures.

Debt Service Fund – To account for ad valorem taxes and financial resources restricted, committed or assigned for servicing bond debt and the cost of assessing and collecting taxes.

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction facilities and related costs.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both “measurable and available.” Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenues reported in governmental funds to be available if they are collectable within 60 days after year-end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Amounts transferred from one fund to another fund are reported as other financing sources or uses. Loans by one fund to another fund and amounts paid by one fund for another fund are reported as interfund receivables and payables in the Governmental Funds Balance Sheet if there is intent to repay the amount and if the debtor fund has the ability to repay the advance on a timely basis.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as an expenditure in the governmental fund incurred and as an expense in the government-wide Statement of Activities. Capital asset additions, improvements and preservation costs that extend the life of an asset are capitalized and depreciated over the estimated useful life of the asset. Engineering fees and certain other costs are capitalized as part of the asset.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

Assets are capitalized, including infrastructure assets, if they have a total cost of \$5,000 or more and a useful life of at least two years. Depreciation is calculated on each class of depreciable property using no salvage value and the straight-line method of depreciation. Estimated useful lives for the water, wastewater, drainage and road infrastructure range from 10 to 45 years.

Budgeting

An annual unappropriated budget is adopted for the General Fund by the District's Board of Directors. The budget is prepared using the same method of accounting as for financial reporting. The original General Fund budget for the current year was amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the original and revised budget amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

The District has not established a pension plan as the District does not have employees. The Internal Revenue Service has determined that fees of office received by Directors are wages subject to federal income tax withholding for payroll tax purposes only.

Measurement Focus

Measurement focus is a term used to describe which transactions are recognized within the various financial statements. In the government-wide Statement of Net Position and Statement of Activities, the governmental activities are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets, liabilities, and deferred inflows and outflows of resources, if any, associated with the activities are reported. Fund equity is classified as net position.

Governmental fund types are accounted for on a spending or financial flow measurement focus. Accordingly, only current assets and current liabilities are included on the Governmental Funds Balance Sheet, and the reported fund balances provide an indication of available spendable or appropriable resources. Operating statements of governmental fund types report increases and decreases in available spendable resources.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The District does not have any nonspendable fund balances.

Restricted: amounts that can be spent only for specific purposes because of constitutional provisions, or enabling legislation, or because of constraints that are imposed externally.

Committed: amounts that can be spent only for purposes determined by a formal action of the Board of Directors. The Board is the highest level of decision-making authority for the District. This action must be made no later than the end of the fiscal year. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Board. The District does not have any committed fund balances.

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

Unassigned: all other spendable amounts in the General Fund.

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

Accounting Estimates

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

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 3. LONG-TERM DEBT

The following is a summary of transactions regarding the changes in bonds payable for the year ended April 30, 2022:

	May 1, 2021	Additions	Retirements	April 30, 2022
Bonds Payable	\$	\$ 5,750,000	\$	\$ 5,750,000
Unamortized Discounts		(40,792)	(943)	(39,849)
Bonds Payable, Net	\$ -0-	\$ 5,709,208	\$ (943)	\$ 5,710,151
		Amount Due Within One Year		\$ -0-
		Amount Due After One Year		5,710,151
		Bonds Payable, Net		\$ 5,710,151

Bonds payable as of April 30, 2022, consists of the following:

	Road Series 2021
Amount Outstanding – April 30, 2022	\$ 5,750,000
Interest Rates	1.60% - 3.00%
Maturity Dates – Beginning/Ending	September 1, 2024/2047
Interest Payment Dates	September 1 / March 1
Callable Dates	September 1, 2026*

*At the option of the District as a whole or in part on the call option or any date thereafter, at par plus accrued interest to the date of redemption. The Series 2021 Road term bonds maturing on September 1, 2034, 2036, 2038, 2040, 2042 and 2047 are subject to mandatory redemption beginning September 1, 2033, 2035, 2037, 2039, 2041 and 2043, respectively.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 3. LONG-TERM DEBT (Continued)

As of April 30, 2022, the debt service requirements on the bonds outstanding were as follows:

Fiscal Year	Principal	Interest	Total
2023	\$	\$ 144,965	\$ 144,965
2024		144,965	144,965
2025	175,000	143,565	318,565
2026	175,000	140,677	315,677
2027	180,000	137,570	317,570
2028-2032	990,000	631,864	1,621,864
2033-2037	1,130,000	512,693	1,642,693
2038-2042	1,295,000	358,128	1,653,128
2043-2047	1,485,000	161,645	1,646,645
2048	320,000	4,800	324,800
	<u>\$ 5,750,000</u>	<u>\$ 2,380,872</u>	<u>\$ 8,130,872</u>

As of April 30, 2022, the District has \$34,800,000 authorized but unissued tax bonds for the purpose of purchasing or construction of water and wastewater facilities, \$78,850,000 authorized but unissued tax bonds for the purpose of purchasing or construction of road infrastructure, \$21,130,000 for refunding water and wastewater facilities bonds, and \$39,350,000 for refunding road bonds. The bonds are payable from the proceeds of an ad valorem tax levied upon all property subject to taxation within the District, without limitation as to rate or amount.

During the year ended April 30, 2022, the District did not levy an ad valorem debt service tax rate. Capitalized interest of \$217,448 from proceeds of the Series 2021 Road Bonds was deposited into the Debt Service Fund and is restricted for future bond interest payments.

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

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS

The bond resolution states that the District is required to provide continuing disclosure of certain general financial information and operating data to certain information repositories. This information is of the general type included in the audited annual financial statements and is to be provided within six months after the end of each fiscal year and shall continue to be provided through the life of the bonds.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 4. SIGNIFICANT BOND RESOLUTION AND LEGAL REQUIREMENTS
(Continued)

The bond resolution states that the District should take all necessary steps to comply with the requirement that rebatable arbitrage earnings on the investment of the gross proceeds of the bonds, within the meaning of Section 148(f) of the Internal Revenue Code, be rebated to the federal government.

NOTE 5. DEPOSITS AND INVESTMENTS

Deposits

Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The District’s deposit policy for custodial credit risk requires compliance with the provisions of Texas statutes.

Texas statutes require that any cash balance in any fund shall, to the extent not insured by the Federal Deposit Insurance Corporation or its successor, be continuously secured by a valid pledge to the District of securities eligible under the laws of Texas to secure the funds of the District, having an aggregate market value, including accrued interest, at all times equal to the uninsured cash balance in the fund to which such securities are pledged. At fiscal year-end, the carrying amount of the District’s deposits was \$302,439 and the bank balance was \$357,889. The District was not exposed to custodial credit risk at year-end.

	Cash
GENERAL FUND	\$ 148,546
DEBT SERVICE FUND	153,886
CAPITAL PROJECTS FUND	7
TOTAL DEPOSITS	\$ 302,439

Restrictions

All cash and investments of the Debt Service Fund are restricted for the payment of debt service and cost of assessing and collecting taxes. All cash and investments of the Capital Projects Fund are restricted for the purchase of capital assets and the maintenance and repair of District facilities.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 6. CAPITAL ASSETS

Capital asset activity for the year ended April 30, 2022 is as follows:

	May 1, 2021	Increases	Decreases	April 30, 2022
Capital Assets Not Being Depreciated				
Construction in Progress	\$ - 0 -	\$ 2,254,388	\$ 2,215,409	\$ 38,979
Total Capital Assets Not Being Depreciated	<u>\$ - 0 -</u>	<u>\$ 2,254,388</u>	<u>\$ 2,215,409</u>	<u>\$ 38,979</u>
Capital Assets Subject to Depreciation				
Roads	\$ 8,346,886	\$ 1,286,009	\$	\$ 9,632,895
Water System	4,216,999	929,400		5,146,399
Wastewater System	2,803,647			2,803,647
Drainage System	3,843,925			3,843,925
Total Capital Assets Subject to Depreciation	<u>\$ 19,211,457</u>	<u>\$ 2,215,409</u>	<u>\$ - 0 -</u>	<u>\$ 21,426,866</u>
Accumulated Depreciation				
Roads	\$ 94,714	\$ 212,157	\$	\$ 306,871
Water System	35,230	432,426		467,656
Wastewater System	38,168	62,303		100,471
Drainage System	63,131	85,421		148,552
Total Accumulated Depreciation	<u>\$ 231,243</u>	<u>\$ 792,307</u>	<u>\$ - 0 -</u>	<u>\$ 1,023,550</u>
Total Depreciable Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,980,214</u>	<u>\$ 1,423,102</u>	<u>\$ - 0 -</u>	<u>\$ 20,403,316</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 18,980,214</u>	<u>\$ 3,677,490</u>	<u>\$ 2,215,409</u>	<u>\$ 20,442,295</u>

NOTE 7. MAINTENANCE TAX

On November 2, 2004, the voters of the District approved the levy and collection of a maintenance tax at an unlimited rate on all taxable property within the District. The maintenance tax is to be used by the General Fund to pay, among other things, expenditures related to operating and administering the District, including the costs of operating and maintaining the District's waterworks and wastewater systems.

During the year ended April 30, 2022, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$232,921 on the adjusted taxable valuation of \$23,292,065 for the 2021 tax year.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 8. UNREIMBURSED COSTS

The District has executed financing agreements with certain Owners of property within the District. These agreements call for these Owners to fund costs associated with water and sanitary sewer facilities, as well as roads and improvements in aid thereof, and for the District to issue bonds to reimburse such costs. The current year activity related to amounts owed to the Owners is summarized in the following table:

Unreimbursed Costs at Beginning of Year	\$ 19,858,898
Plus Current Year Additions	2,206,172
Less Current Year Reimbursements	<u>(4,030,547)</u>
Unreimbursed Costs at End of Year	<u>\$ 18,034,523</u>

NOTE 9. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance and required bonds. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

NOTE 10. DEVELOPMENT AGREEMENT

On November 14, 2005, the District entered into a Development Agreement (the “Agreement”) with the City of Grand Prairie, Texas (the “Grand Prairie”), PRA Prairie Ridge, L.P. (the “Owner”) and Johnson County Fresh Water Supply District No. 2 (“JCFWSD 2”). Pursuant to the Agreement, Grand Prairie has agreed to provide wholesale treated water and wastewater treatment services to the District and JCFWSD 2 in accordance with terms of separate wholesale agreements (see Note 11 and 12). The District has obtained Water Certificate of Convenience and Necessity (“CCN”) No. 13107 and Sewer CCN No. 20993 which authorizes it to serve the land located within its boundaries with, respectively, retail water and wastewater services.

The Owner is responsible for the funding of the infrastructure necessary to serve the residents of the respective districts. Grand Prairie will not annex any portion of the land within the districts until the earlier of 10 years from the date of the Agreement or the date the Owner has been reimbursed for all eligible road and utility improvements. The Owner invoked its right under Article III of the Agreement to extend this annexation moratorium for an additional term of 10 years.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022

NOTE 11. AGREEMENT FOR PURCHASED WATER

On February 16, 2006, the District entered into an Interlocal Cooperative Treated Water Agreement (the “Agreement”) with the City of Grand Prairie, Texas and Johnson County Fresh Water Supply District No. 2 (the District and JCFWSD 2 hereinafter collectively referred to as the “Districts”). Grand Prairie previously entered into an agreement with the City of Midlothian, Texas (“Midlothian”) whereby Grand Prairie purchases additional water supply from Midlothian for the purposes of supplying water to the Districts. The rate charged to the Districts for treated water will be 120% of the wholesale rate charged to Grand Prairie by Midlothian. The Agreement terminates January 1, 2035, and can be renewed with the agreement of all parties.

NOTE 12. AGREEMENT FOR WASTEWATER TREATMENT

On February 16, 2006, the District entered into an Interlocal Cooperative Wastewater Service Agreement (the “Agreement”) with the City of Grand Prairie, Texas and Johnson County Fresh Water Supply District No. 2 (the District and JCFWSD 2 hereinafter collectively referred to as the “Districts”). The Agreement provides the Districts the unrestricted right to deliver to Grand Prairie a minimum of 1,260,000 gallons per day of wastewater or an amount otherwise sufficient to serve 4,000 ESFCs. The rate charged to the Districts for wastewater service will be 120% of the wholesale rate charged to Grand Prairie by the Trinity River Authority for service by the Mountain Creek Regional Wastewater System. The Agreement terminates January 1, 2035, and can be renewed with the agreement of all parties.

NOTE 13. ROAD BOND SALE

On September 23, 2021, the District closed on the sale of its \$5,750,000 Series 2021 Unlimited Tax Road Bonds. Bond proceeds were used to reimburse developers of land within the District for engineering and construction costs for certain roads and road improvements as well as pay for developer interest, capitalized interest and certain other costs of issuing the Bonds.

NOTE 14. SUBSEQUENT EVENT – BOND ANTICIPATION NOTE

On June 9, 2022, subsequent to year-end, the District issued its Series 2022 Bond Anticipation Note (the BAN) in the principal amount of \$4,535,000. The BAN accrues interest at 4.00%. Proceeds from the BAN were used to reimburse the Developers for a portion of the construction and engineering costs associated with water and wastewater improvements to serve Prairie Ridge, Phases 1 and 2A, Prairie Ridge Boulevard offsite water and wastewater improvements, Tarrant Regional Water District buy-in, and issuance costs of the BAN.

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ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2022

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2022

	Original Budget	Amended and Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Property Taxes	\$ 171,000	\$ 233,252	\$ 235,713	\$ 2,461
Water Service	75,456	216,258	236,291	20,033
Wastewater Service	75,684	174,931	176,877	1,946
Permit Fees		223,344	190,043	(33,301)
Investment and Miscellaneous Revenues	<u>6,072</u>	<u>6,123</u>	<u>25,099</u>	<u>18,976</u>
TOTAL REVENUES	<u>\$ 328,212</u>	<u>\$ 853,908</u>	<u>\$ 864,023</u>	<u>\$ 10,115</u>
EXPENDITURES				
Service Operations:				
Professional Fees	\$ 153,502	\$ 203,310	\$ 248,718	\$ (45,408)
Contracted Services	23,270	50,995	106,183	(55,188)
Purchased Water Service	80,400	210,776	224,088	(13,312)
Purchased Sewer Service	96,000	269,122	292,137	(23,015)
Repairs and Maintenance	120,400	168,715	167,868	847
Other	<u>38,015</u>	<u>65,439</u>	<u>28,781</u>	<u>36,658</u>
TOTAL EXPENDITURES	<u>\$ 511,587</u>	<u>\$ 968,357</u>	<u>\$1,067,775</u>	<u>\$ (99,418)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (183,375)</u>	<u>\$ (114,449)</u>	<u>\$ (203,752)</u>	<u>\$ (89,303)</u>
OTHER FINANCING SOURCES(USES)				
Developer Advances	<u>\$ 238,172</u>	<u>\$ 247,471</u>	<u>\$ 248,763</u>	<u>\$ 1,292</u>
NET CHANGE IN FUND BALANCE	\$ 54,797	\$ 133,022	\$ 45,011	\$ (88,011)
FUND BALANCE (DEFICIT) - MAY 1, 2021	<u>(6,315)</u>	<u>(6,315)</u>	<u>(6,315)</u>	<u>_____</u>
FUND BALANCE - APRIL 30, 2022	<u>\$ 48,482</u>	<u>\$ 126,707</u>	<u>\$ 38,696</u>	<u>\$ (88,011)</u>

See accompanying independent auditor's report

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ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1

SUPPLEMENTARY INFORMATION REQUIRED BY THE

WATER DISTRICT FINANCIAL MANAGEMENT GUIDE

APRIL 30, 2022

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2022

1. SERVICES PROVIDED BY THE DISTRICT DURING THE FISCAL YEAR:

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

2. RETAIL SERVICE PROVIDERS

a. RETAIL RATES FOR A 5/8" METER (OR EQUIVALENT):

Based on the rate order dated January 26, 2022

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons over Minimum Use</u>	<u>Usage Levels</u>
WATER:	\$ 29.00	-0-	N	\$ 4.75 \$ 5.75 \$ 6.75	-0- to 10,000 10,001 to 20,000 20,001 and over
WASTEWATER:	\$ 53.00	Up to and including 10,000 gallons of water used	Y		
	\$ 57.00	Over 10,000 gallons of water used			
SURCHARGE:					
Commission	0.5% of actual water and sewer bill				
Regulatory Assessments					
District employs winter averaging for wastewater usage?				<u> </u>	<u> X </u>
				Yes	No

Total monthly charges per 10,000 gallons usage: Water: \$76.50 Wastewater: \$53.00 Surcharge: \$0.65

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2022

2. RETAIL SERVICE PROVIDERS (Continued)

b. WATER AND WASTEWATER RETAIL CONNECTIONS: (Unaudited)

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
Unmetered			x 1.0	
≤ ¾"	328	326	x 1.0	326
1"			x 2.5	
1½"			x 5.0	
2"	6	6	x 8.0	48
3"	4	4	x 15.0	60
4"			x 25.0	
6"			x 50.0	
8"			x 80.0	
10"			x 115.0	
Total Water Connections	<u>338</u>	<u>336</u>		<u>434</u>
Total Wastewater Connections	<u>327</u>	<u>325</u>	x 1.0	<u>325</u>

3. TOTAL WATER CONSUMPTION DURING THE FISCAL YEAR ROUNDED TO THE NEAREST THOUSAND: (Unaudited)

Gallons pumped into system:	45,461,000	Water Accountability Ratio 72.5%
		(Gallons billed/Gallons pumped)
Gallons billed to customers:	32,981,000	

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2022

4. STANDBY FEES (authorized only under TWC Section 49.231):

Does the District have Debt Service standby fees? Yes No

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

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No

County in which District is located:

Ellis County, Texas

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

Entirely Partly Not at all

ETJ's in which District is located:

City of Grand Prairie, Texas.

Are Board Members appointed by an office outside the District?

Yes No

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2022

PROFESSIONAL FEES:	
Auditing	\$ 7,500
Engineering	139,051
Legal	<u>102,167</u>
TOTAL PROFESSIONAL FEES	<u>\$ 248,718</u>
PURCHASED SERVICES FOR RESALE:	
Purchased Water Service	\$ 224,088
Purchased Sewer Service	<u>292,137</u>
TOTAL PURCHASED SERVICES FOR RESALE	<u>\$ 516,225</u>
CONTRACTED SERVICES:	
Solid Waste Disposal	\$ 26,052
Bookkeeping	21,062
Operations and Billing	<u>59,069</u>
TOTAL CONTRACTED SERVICES	<u>\$ 106,183</u>
REPAIRS AND MAINTENANCE	<u>\$ 167,868</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 7,428
Insurance	3,019
Permit Fees	5,500
Tax Assessor and Appraisal District	4,540
Travel and Meetings	1,124
Meetings, Website and Other	<u>7,170</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 28,781</u>
TOTAL EXPENDITURES	<u><u>\$ 1,067,775</u></u>

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2022

	Maintenance Taxes	
TAXES RECEIVABLE -		
MAY 1, 2021	\$ -0-	
Adjustments to Beginning		
Balance	3,806	\$ 3,806
Original 2021 Tax Levy	\$ 238,012	
Adjustment to 2021 Tax Levy	(5,091)	232,921
TOTAL TO BE		
ACCOUNTED FOR		\$ 236,727
 TAX COLLECTIONS:		
Prior Years	\$ 3,806	
Current Year	231,907	235,713
 TAXES RECEIVABLE -		
APRIL 30, 2022		\$ 1,014
 TAXES RECEIVABLE BY		
YEAR:		
2021		\$ 1,014

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2022

	2021	2020
PROPERTY VALUATIONS:		
Land	\$ 14,186,868	\$ 2,301,636
Improvements	12,471,360	265,200
Exemptions	(3,366,163)	(1,781,581)
TOTAL PROPERTY VALUATIONS	\$ 23,292,065	\$ 785,255
 TAX RATES PER \$100 VALUATION:		
Debt Service	\$ 0.00	\$ 0.00
Maintenance	1.00	1.00
 TOTAL TAX RATES PER \$100 VALUATION	 \$ 1.00	 \$ 1.00
 ADJUSTED TAX LEVY*	 \$ 232,921	 \$ 7,853
 PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	 99.56 %	 100.00 %

* Based upon the adjusted tax levy at the time of the audit for the fiscal year in which the tax was levied.

Maintenance Tax – Maximum tax rate of \$1.00 per \$100 of assessed valuation approved by voters on November 2, 2004.

See accompanying independent auditor’s report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2022

SERIES - 2021 ROAD

Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 144,965	\$ 144,965
2024		144,965	144,965
2025	175,000	143,565	318,565
2026	175,000	140,677	315,677
2027	180,000	137,570	317,570
2028	185,000	134,192	319,192
2029	190,000	130,535	320,535
2030	200,000	126,635	326,635
2031	205,000	122,482	327,482
2032	210,000	118,020	328,020
2033	215,000	113,238	328,238
2034	220,000	108,125	328,125
2035	225,000	102,785	327,785
2036	230,000	97,210	327,210
2037	240,000	91,335	331,335
2038	245,000	85,150	330,150
2039	250,000	78,715	328,715
2040	260,000	71,955	331,955
2041	265,000	64,868	329,868
2042	275,000	57,440	332,440
2043	280,000	49,670	329,670
2044	290,000	41,400	331,400
2045	295,000	32,625	327,625
2046	305,000	23,625	328,625
2047	315,000	14,325	329,325
2048	320,000	4,800	324,800
	<u>\$ 5,750,000</u>	<u>\$ 2,380,872</u>	<u>\$ 8,130,872</u>

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2022

Description	Original Bonds Issued	Bonds Outstanding May 1, 2021
Ellis County Fresh Water Supply District No. 1 Unlimited Tax Road Bonds - Series 2021	<u>\$ 5,750,000</u>	<u>\$ - 0 -</u>

Bond Authority:	Utility Bonds	Road Bonds	Utility Refunding	Road Refunding
Amount Authorized by Voters	\$ 34,800,000	\$ 84,600,000	\$ 21,130,000	\$ 39,350,000
Amount Issued	<u> </u>	<u>5,750,000</u>	<u> </u>	<u> </u>
Remaining to be Issued	<u>\$ 34,800,000</u>	<u>\$ 78,850,000</u>	<u>\$ 21,130,000</u>	<u>\$ 39,350,000</u>

See accompanying independent auditor's report.

<u>Current Year Transactions</u>				
<u>Bonds Sold</u>	<u>Retirements</u>		<u>Bonds Outstanding April 30, 2022</u>	<u>Paying Agent</u>
	<u>Principal</u>	<u>Interest</u>		
<u>\$ 5,750,000</u>	<u>\$ - 0 -</u>	<u>\$ 63,624</u>	<u>\$ 5,750,000</u>	BOKF Dallas, TX

Debt Service Fund cash balance as of April 30, 2022: \$ 153,886

Average annual debt service payments (principal and interest) for remaining term of all debt: \$ 312,726

See Note 3 for interest rates, interest payment dates and maturity dates.

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS

	Amounts	
	2022	2021
REVENUES		
Property Taxes	\$ 235,713	\$ 10,832
Water Service	236,291	60,120
Wastewater Service	176,877	41,019
Permit Fees	190,043	
Investment and Miscellaneous Revenues	25,099	3,056
TOTAL REVENUES	\$ 864,023	\$ 115,027
EXPENDITURES		
Professional Fees	\$ 248,718	\$ 143,122
Contracted Services	106,183	33,028
Purchased Water Service	224,088	52,021
Purchased Sewer Service	292,137	60,705
Repairs and Maintenance	167,868	131,723
Other	28,781	18,117
TOTAL EXPENDITURES	\$ 1,067,775	\$ 438,716
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (203,752)	\$ (323,689)
OTHER FINANCING SOURCES (USES)		
Developer Advances	\$ 248,763	\$ 315,491
NET CHANGE IN FUND BALANCE	\$ 45,011	\$ (8,198)
BEGINNING FUND BALANCE (DEFICIT)	(6,315)	1,883
ENDING FUND BALANCE (DEFICIT)	\$ 38,696	\$ (6,315)

See accompanying independent auditor's report.

Percentage of Total Revenues

<u>2022</u>		<u>2021</u>	
27.3	%	9.4	%
27.3		52.2	
20.5		35.7	
22.0			
<u>2.9</u>		<u>2.7</u>	
<u>100.0</u>	%	<u>100.0</u>	%

28.8	%	124.4	%
12.3		28.7	
25.9		45.2	
33.8		52.8	
19.4		114.5	
<u>3.3</u>		<u>15.8</u>	
<u>123.5</u>	%	<u>381.4</u>	%

(23.5) % (281.4) %

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – TWO YEARS

	Amounts	
	2022	2021
REVENUES		
Investment and Miscellaneous Revenues	\$ 62	N/A
EXPENDITURES		
Debt Service Interest and Fees	\$ 63,624	N/A
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (63,562)	N/A
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Long-Term Debt	\$ 217,448	N/A
NET CHANGE IN FUND BALANCE	\$ 153,886	N/A
BEGINNING FUND BALANCE	_____	_____
ENDING FUND BALANCE	\$ 153,886	N/A
 TOTAL ACTIVE RETAIL WATER CONNECTIONS	 336	 169
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	325	162

See accompanying independent auditor's report.

Percentage of Total Revenues

<u>2022</u>		<u>2021</u>	
<u>100.0</u>	%	<u>N/A</u>	%
<u>102,619.4</u>	%	<u>N/A</u>	%
<u>(102,519.4)</u>	%	<u>N/A</u>	%

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2022

District Mailing Address - Ellis County Fresh Water Supply District No. 1
 19 Briar Hollow Lane, Suite 245
 Houston, TX 77027

District Telephone Number - (713) 621-3707

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended April 30, 2022	Expense Reimbursements for the year ended April 30, 2022	Title
Blake Ezell	05/20 05/24 (Elected)	\$ 1,950	\$ 409	President
Connor Nichols	05/22 05/26 (Appointed)	\$ 750	\$ 64	Vice President
Douglas Wilder	05/20 05/24 (Elected)	\$ 1,950	\$ 194	Secretary/ Treasurer
Andrew Henk	05/22 05/26 (Elected)	\$ 1,950	\$ 360	Assistant Secretary
Teresa Morrow	06/22 05/26 (Appointed)	\$ -0-	\$ -0-	Supervisor

Notes: No Director has any business or family relationships (as defined by the Texas Water Code) with major landowners in the District, with the District's developers or with any of the District's consultants.

Submission date of most recent District Registration Form: June 14, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200 as set by Board Resolution on February 2, 2006. Fees of Office are the amounts paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

ELLIS COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2022

Consultants:	<u>Date Hired</u>	<u>Fees for the year ended April 30, 2022</u>	<u>Title</u>
Crawford & Jordan LLP	08/30/04	\$ 105,011	General Counsel
Winstead PC	08/26/20	\$ 155,500	Bond Counsel
McCall Gibson Swedlund Barfoot PLLC	04/28/21	\$ 7,500	Auditor
		\$ 13,750	Bond Related
Dye & Toverly, LLC	02/26/08	\$ 21,062	Bookkeeper
Peloton Land Solutions, Inc.	11/28/18	\$ 148,518	Engineer
Robert W. Baird & Co. Incorporated	11/11/20	\$ 67,873	Financial Advisor
Inframark, LLC	01/01/19	\$ 201,844	Operator

See accompanying independent auditor's report.

APPENDIX B
SPECIMEN MUNICIPAL BOND INSURANCE POLICY



BAM

**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

SPECIAL MEMBER

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