

OFFICIAL STATEMENT DATED MARCH 29, 2023

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

The Bonds are not “qualified tax-exempt obligations” for financial institutions.

NEW ISSUE—Book-Entry-Only

RATING: S&P Global Ratings (AGM Insured)“AA”
See “MUNICIPAL BOND INSURANCE” and “RATING” herein.

FAR NORTH FORT WORTH MUNICIPAL UTILITY DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES

(A Political Subdivision of the State of Texas located within Tarrant County, Wise County, and Denton County)

**\$6,535,000
UNLIMITED TAX UTILITY BONDS
SERIES 2023**

Dated Date: April 1, 2023

Due: September 1, as shown on inside cover hereof

Interest Accrues from Date of Delivery

The \$6,535,000 Unlimited Tax Utility Bonds, Series 2023 (the “Bonds”) are obligations of Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties (the “District”) and are not obligations of the State of Texas; Tarrant County, Texas; Wise County, Texas; Denton County, Texas; the City of Fort Worth, Texas; or any entity other than the District. Neither the full faith and credit nor the taxing power of the State of Texas; Tarrant County, Texas; Wise County, Texas; Denton County, Texas; the City of Fort Worth, Texas; nor any entity other than the District is pledged to the payment of the principal of or interest on the Bonds.

The Bonds will be initially registered and delivered only to Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), which will act as securities depository for the Bonds. Beneficial owners of the Bonds will not receive physical certificates representing the Bonds, but will receive a credit balance on the books of the nominees of such beneficial owners. So long as Cede & Co. is the registered owner of the Bonds, the principal of and interest on the Bonds will be paid by BOKF, NA, Dallas, Texas, or any successor paying agent/registrant (the “Paying Agent/Registrar”), directly to DTC, which will, in turn, remit such principal and interest to its participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS—Book-Entry-Only System.”

Principal of the Bonds is payable to the registered owner(s) of the Bonds (the “Registered Owner(s)”) at the principal payment office of the Paying Agent/Registrar upon surrender of the Bonds for payment at maturity or upon prior redemption. Interest on the Bonds accrues from the initial date of delivery (expected to be on or about April 27, 2023) (the “Date of Delivery”), and is payable on September 1, 2023, and each March 1 and September 1 thereafter to the person in whose name the Bonds are registered as of the 15th day of the calendar month next preceding each interest payment date. The Bonds are issuable in denominations of \$5,000 of principal or any integral multiple thereof in fully registered form only.

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



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

The Bonds, when issued, will constitute valid and binding obligations of the District and will be payable from the proceeds of a continuing direct ad valorem tax, without legal limitation as to rate or amount, levied annually by the District upon all taxable property located within the District. See “THE BONDS—Source of Payment.”

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. See “RISK FACTORS.”

The Bonds are offered subject to prior sale, when, as, and if issued by the District and accepted by the winning bidder for the Bonds (the “Initial Purchaser”), subject to the approval of the Attorney General of Texas and of Coats Rose, P.C., Dallas, Texas, Bond Counsel. Delivery of the Bonds in book-entry form through DTC is expected on or about April 27, 2023. See “LEGAL MATTERS.”

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

\$6,535,000 UNLIMITED TAX UTILITY BONDS, SERIES 2023

\$3,770,000 SERIAL BONDS

Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 30734C (b)	Maturity (September 1)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP No. 30734C (b)
2024	\$145,000	6.500%	3.400%	DA8	2033 (c)	\$220,000	4.000%	3.600%	DK6
2025	155,000	6.500%	3.350%	DB6	2034 (c)	225,000	4.000%	3.700%	DL4
2026	160,000	6.500%	3.300%	DC4	****	****	****	****	****
2027	165,000	6.500%	3.250%	DD2	2037 (c)	260,000	4.000%	4.050%	DP5
2028	175,000	6.500%	3.250%	DE0	2038 (c)	270,000	4.000%	4.100%	DQ3
2029 (c)	180,000	5.500%	3.250%	DF7	2039 (c)	285,000	4.000%	4.150%	DR1
2030 (c)	190,000	5.000%	3.250%	DG5	2040 (c)	295,000	4.000%	4.180%	DS9
2031 (c)	200,000	5.000%	3.250%	DH3	2041 (c)	310,000	4.000%	4.200%	DT7
2032 (c)	210,000	5.000%	3.250%	DJ9	2042 (c)	325,000	4.000%	4.220%	DU4

\$2,765,000 TERM BONDS

\$490,000 Term Bond due September 1, 2036 (c)(d) Interest Rate: 4.000% (Price: \$100.000) (a) CUSIP No. 30734C DN0 (b)

\$695,000 Term Bond due September 1, 2044 (c)(d) Interest Rate: 4.125% (Price: \$97.566) (a) CUSIP No. 30734C DW0 (b)

\$755,000 Term Bond due September 1, 2046 (c)(d) Interest Rate: 4.250% (Price: \$98.538) (a) CUSIP No. 30734C DY6 (b)

\$825,000 Term Bond due September 1, 2048 (c)(d) Interest Rate: 4.250% (Price: \$97.717) (a) CUSIP No. 30734C EA7 (b)

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- (a) Information with respect to the initial reoffering yields of the Bonds is the responsibility of the Initial Purchaser. Initial reoffering yields represent the initial offering price, which may be changed for subsequent purchasers. The initial yield indicated above represents the lower of the yields resulting when priced to maturity or to the first call date.
- (b) CUSIP numbers have been assigned to the Bonds by CUSIP Global Services, managed by FactSet Research Systems, Inc. on behalf of the American Bankers Association and are included solely for the convenience of the owners of the Bonds.
- (c) Bonds maturing on September 1, 2029, and thereafter, shall be subject to redemption and payment at the option of the District, in whole or from time to time in part, on April 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest thereon to the date fixed for redemption. See "THE BONDS—Redemption Provisions—*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 Provisions—*Mandatory Redemption*."

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

All of the summaries of the statutes, orders, resolutions, contracts, audits, 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 Robert W. Baird & Co. Incorporated, 6363 State Hwy 161, Suite 310, Irving, TX 75038, the Financial Advisor to the District.

The Financial Advisor has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in the Official Statement in accordance with, and as part of, its responsibility to the District and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

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

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

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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 effective interest rate to the District, which was tendered by SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Bonds bearing the interest rates on the inside cover page herein at a price of 97.006807% of the par value thereof, which resulted in a net effective interest rate of 4.435807%, as calculated pursuant to Chapter 1204 of the Texas Government Code.

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.

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

The prices and other terms with respect to the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

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

MUNICIPAL BOND INSURANCE

Bond Insurance Policy

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

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

Assured Guaranty Municipal Corp.

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

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

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed AGM’s insurance financial strength rating of “AA+” (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

Capitalization of AGM

At December 31, 2022:

- The policyholders’ surplus of AGM was approximately \$2,747 million.
- The contingency reserve of AGM was approximately \$855 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,134 million. Such amount includes (i) 100% of the net unearned premium reserve and net deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiary Assured Guaranty UK Limited (“AGUK”) and its 99.9999% owned subsidiary Assured Guaranty (Europe) SA (“AGE”).

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

Incorporation of Certain Documents by Reference

Portions of AGL’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022 filed with the Securities and Exchange Commission (the “SEC”) on March 1, 2023 that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

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

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

Miscellaneous Matters

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

RATING

The Bonds will receive an insured rating of “AA” (stable outlook) from S&P solely in reliance upon the issuance and delivery of the Policy by AGM 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 make an application for an underlying rating on the Bonds. Furthermore, it is not expected that the District would have been successful in obtaining an investment grade underlying rating on the Bonds had such application been made.

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OFFICIAL STATEMENT SUMMARY

The following 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 Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties (the “District”), a political subdivision of the State of Texas, is located in Tarrant County, Texas; Wise County, Texas; and Denton County, Texas. See “THE DISTRICT.”

The Bonds The District’s \$6,535,000 Unlimited Tax Utility Bonds, Series 2023 (the “Bonds”) are dated April 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 to be on or about April 27, 2023) (the “Date of Delivery”) at the rates shown on the inside cover hereof and is payable on September 1, 2023, and on each March 1 and September 1 thereafter until maturity or prior redemption. The Bonds are offered in fully registered form in integral multiples of \$5,000 of principal amount for any one maturity. See “THE BONDS—General.”

Redemption Provisions Optional Redemption: The Bonds maturing on and after September 1, 2029, are subject to redemption prior to maturity at the option of the District, in whole or from time to time in part, on April 1, 2029, or on any date thereafter, at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. See “THE BONDS—Redemption Provisions—*Optional Redemption*.”

Mandatory Redemption: The Bonds maturing on September 1, 2024 through September 1, 2034, and September 1, 2037 through September 1, 2042, both inclusive, are serial bonds. The Bonds maturing on September 1 in the years 2036, 2044, 2046 and 2048 are term bonds that are also 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 Provisions—*Mandatory Redemption*.”

Authority for Issuance The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the “Board”) on the date of sale of the Bonds (the “Bond Order”); Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District on May 6, 2017; and an order of the Texas Commission on Environmental Quality (“TCEQ”). See “THE BONDS—Authority for Issuance.”

The Bonds are the second series of unlimited tax bonds to be issued by the District out of an aggregate \$132,600,000 principal amount of unlimited tax bonds authorized by the District’s voters for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the “Utility System”) and for the refunding of bonds issued by the District for the Utility System. Following the issuance of the Bonds, \$114,565,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of bonds issued for the Utility System will remain authorized but unissued.

<i>Outstanding Bonds</i>	The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and two (2) series of unlimited tax bonds for the purpose of acquiring or constructing road facilities to serve the District (the “Road System”). As of February 1, 2023, \$24,095,000 principal amount of such previously issued bonds remained outstanding (the “Outstanding Bonds”).
<i>Source of Payment</i>	Principal of and interest on the Bonds are payable from the proceeds of a continuing direct ad valorem tax, without legal limitation as to rate or amount, levied upon all taxable property located within the District. The Bonds are obligations solely of the District and are not obligations of the State of Texas; Tarrant County, Texas; Wise County, Texas; Denton County, Texas; the City of Fort Worth, Texas (the “City”); or any entity other than the District. See “THE BONDS—Source of Payment.”
<i>Payment Record</i>	The District has never defaulted on the timely payment of principal of and interest on its bonded indebtedness. See “THE BONDS—Source of Payment.”
<i>Use and Distribution of Bond Proceeds</i>	Proceeds from the sale of the Bonds will be used to reimburse 170 Northstar (hereinafter defined) for construction costs and impact fees listed under “THE BONDS—Use and Distribution of Bond Proceeds.” Additionally, proceeds of the Bonds will be used to pay six (6) months of capitalized interest, developer interest, and other costs associated with the issuance of the Bonds. See “THE BONDS—Use and Distribution of Bond Proceeds.”
<i>Not Qualified Tax-Exempt Obligations</i>	The Bonds are not “qualified tax-exempt obligations” for financial institutions. See “TAX MATTERS—Not Qualified Tax-Exempt Obligations.”
<i>Municipal Bond Insurance</i>	Assured Guaranty Municipal Corp. (“AGM”). See “MUNICIPAL BOND INSURANCE” above.
<i>Rating</i>	S&P Global Ratings (AGM insured): “AA.” See “MUNICIPAL BOND INSURANCE” and “RATING” above.
<i>Bond Counsel</i>	Coats Rose, P.C., Dallas, Texas.
<i>Disclosure Counsel</i>	McCall, Parkhurst & Horton L.L.P., Houston, Texas.
<i>Financial Advisor</i>	Robert W. Baird & Co. Incorporated, Irving, Texas.
<i>Paying Agent/Registrar</i>	BOKF, NA, Dallas, Texas.

THE DISTRICT

<i>Description</i>	The District is a political subdivision of the State of Texas located at the intersection of Tarrant County, Wise County, and Denton County, approximately 17 miles northwest of the Central Business District of the City, and wholly within the extraterritorial jurisdiction of the City. The District is bounded on the west by State Highway 287 and is bisected by Bates Aston Road. See “THE DISTRICT.”
<i>Authority</i>	The District was created by order of the TCEQ dated January 12, 2017, and is vested with all of the rights, duties, powers, privileges, authority, and functions conferred by the TCEQ, Chapter 8011 of the Texas Special District Local Laws Code, and the general laws of the State of Texas relating to municipal utility districts, including,

without limitation, Chapters 49 and 54 of the Texas Water Code, as amended. See “THE DISTRICT.”

Development Status of the District..... The District encompasses approximately 733.65 total acres of land, which is being developed as the single-family subdivision known as “Northstar.” To date, approximately 361.07 acres (1,224 single-family lots) have been developed as Northstar, Sections 1, 2-1, 2-2, 2-3, 3-1, 4-1 and 4-3. As of February 1, 2023, development within the District included 671 completed homes (635 of which being occupied, 30 unoccupied, and 6 model homes), 29 homes under construction, and 524 vacant developed lots. The remaining land within the District consists of approximately 308.15 undeveloped but developable acres and approximately 64.43 undevelopable acres. See “DEVELOPMENT STATUS OF THE DISTRICT.”

Developers/Principal Landowners..... Northstar Ranch, LLC (“Northstar Ranch”), a Texas limited liability company, managed by Kim Gill and Timothy Fleet, is a single purpose entity created for the purpose of owning, as an investment, land within the District. 170 Northstar Ranch Developer, Inc. (“170 Northstar”), a Texas corporation, also managed by Kim Gill and Timothy Fleet, was created for the purpose of purchasing and developing land within the District. Both Northstar Ranch and 170 Northstar are thinly capitalized companies whose assets consist primarily of the land in the District and, in the case of 170 Northstar, the receivables due from the District for eligible public infrastructure costs.

Northstar Ranch initially purchased all of the land within the District, approximately 734 acres. Of such acres, Northstar Ranch sold approximately 425 acres to 170 Northstar for the purpose of developing land within the District. As of February 1, 2023, Northstar Ranch continues to own approximately 308 acres of land within the District.

To date, 170 Northstar has developed approximately 169 acres as Northstar, Section 1 and Section 4-3 and subsequently sold approximately 86 acres to DR Horton (defined herein) and approximately 67 acres to Meritage (defined herein) for their respective developments. As of February 1, 2023, 170 Northstar continues to own 14 vacant developed lots and approximately 104 acres of land within the District.

D.R. Horton-Texas, Ltd. (“DR Horton”), a Texas limited partnership, is a developer and homebuilder within the District. DR Horton purchased approximately 86 acres of land within the District from 170 Northstar, on which it developed 403 single-family lots as Northstar, Sections 3-1 and 4-1. As of February 1, 2023, DR Horton continues to own 278 vacant developed lots within the District.

Meritage Homes of Texas, LLC (“Meritage”), an Arizona limited liability company, is a developer and homebuilder within the District. Meritage purchased approximately 67 acres of land within the District from 170 Northstar, on which it has developed 300 single-family lots as Northstar, Sections 2-1, 2-2 and 2-3. As of February 1, 2023, Meritage continues to own 119 vacant developed lots within the District.

170 Northstar, DR Horton, and Meritage are collectively referred to herein as the “Developers.” The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur. See “THE DEVELOPERS/PRINCIPAL LANDOWNERS” and “TAX DATA—Principal Taxpayers” herein.

Homebuilders Within the District.....Homebuilders active in the District include DR Horton, Meritage, HistoryMaker Homes, and Riverside Homebuilders. The homes being marketed in the District range in size from approximately 1,500 to 4,300 square feet and in price from approximately \$344,990 to \$535,990. See “DEVELOPMENT STATUS OF THE DISTRICT—Homebuilders within the District” and “THE DEVELOPERS/PRINCIPAL LANDOWNERS—Lot-Sales Contracts.”

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 Taxable Assessed Valuation.....	\$ 147,967,737	(a)
Current Estimate of Valuation	\$ 260,926,004	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 24,095,000	
The Bonds	<u>\$ 6,535,000</u>	
Total.....	\$ 30,630,000	
Estimated Overlapping Debt.....	<u>\$ 7,541,967</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 38,171,967	(c)
Direct Debt Ratios:		
Based on the 2022 Taxable Assessed Valuation	20.70	%
Based on the Current Estimate of Valuation	11.74	%
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2022 Taxable Assessed Valuation	25.80	%
Based on the Current Estimate of Valuation	14.63	%
Utility System Debt Service Fund Balance (as of March 29, 2023).....	\$ 812,108	(d)
Road System Debt Service Fund Balance (as of March 29, 2023)	\$ 768,917	
Utility System Capital Projects Fund Balance (as of March 29, 2023).....	\$ 159,025	
Road System Capital Projects Fund Balance (as of March 29, 2023).....	\$ 52,132	
General Operating Fund Balance (as of March 29, 2023)	\$ 489,485	
2022 Tax Rate		
Utility System Debt Service	\$0.365	
Road System Debt Service	\$0.430	
Maintenance & Operation	<u>\$0.205</u>	
Total.....	\$1.000	
Average Annual Debt Service Requirement (2024–2047, high years)	\$ 1,988,431	(e)
Maximum Annual Debt Service Requirement (2024).....	\$ 2,096,944	(e)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Requirement (2024–2047, high years) at 95% Tax Collections		
Based on the 2022 Taxable Assessed Valuation.....	\$1.42	
Based on the Current Estimate of Valuation	\$0.81	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2024) at 95% Tax Collections		
Based on the 2022 Taxable Assessed Valuation.....	\$1.50	
Based on the Current Estimate of Valuation	\$0.85	

- (a) Represents the taxable assessed value of all taxable property within the District as of January 1, 2022, as provided by Tarrant County Appraisal District and Wise County Appraisal District (collectively the "Appraisal Districts"). Such amount includes \$6,419,402 of value under review by the Appraisal Districts as of certification. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Such value has been provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the most recent value of all taxable property located within the District resulting from new construction of taxable improvements from January 1, 2022 and is comprised of the following: \$38,591,959 as provided by Wise County Appraisal District as of January 1, 2023 and \$222,334,045 as provided by Tarrant County Appraisal District as of March 1, 2023. A small portion of the District lies within Denton County; however, such properties are being appraised by Wise County. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT—Estimated Overlapping Debt Statement."
- (d) Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund (herein defined) upon closing and delivery of the Bonds. Neither Texas law nor the Bond Order (hereinafter defined) requires that the District maintain any particular sum in the Utility System Debt Service Fund or the Road System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System (hereinafter defined) and funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (such as the Bonds).
- (e) See "DISTRICT DEBT—Debt Service Requirements."

OFFICIAL STATEMENT

relating to

FAR NORTH FORT WORTH MUNICIPAL UTILITY DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES

(A Political Subdivision of the State of Texas located within Tarrant County, Wise County, and Denton County)

\$6,535,000

UNLIMITED TAX UTILITY BONDS SERIES 2023

INTRODUCTION

This Official Statement provides certain information in connection with the issuance by Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties (the "District") of its \$6,535,000 Unlimited Tax Utility Bonds, Series 2023 (the "Bonds").

The Bonds are issued pursuant to an order authorizing the issuance of the Bonds adopted by the Board of Directors of the District (the "Board") on the date of sale of the Bonds (the "Bond Order"); Article XVI, Section 59 of the Texas Constitution and the general laws of the State of Texas, particularly Chapters 49 and 54 of the Texas Water Code, as amended; an election held within the District on May 6, 2017; and an order of the Texas Commission on Environmental Quality ("TCEQ").

This Official Statement includes descriptions of the Bonds, the Developers (herein defined), the Bond Order, and certain information about the District and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from Coats Rose, P.C., 16000 North Dallas Parkway, Suite 350, Dallas, Texas 75248, upon payment of the costs of duplication therefor. 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.

RISK FACTORS

General

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

Infectious Disease Outlook—COVID-19

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

There are currently no COVID-19 related operating limits imposed by executive order of the Governor for any business or other establishment in 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 on the website of the Governor 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 Payments

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

Developers and Principal Landowners: There is no commitment by or legal requirement of any of the Developers (as defined herein) 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 landowner's right to sell its land. Therefore, the District can make no representation about the probability of future development, if any, or the rate of future home or commercial construction activity in the District. Failure to construct taxable improvements on developed lots would restrict the rate of growth of taxable values in the District and result in higher tax rates. See "DEVELOPMENT STATUS OF THE DISTRICT" and "THE DEVELOPERS/PRINCIPAL LANDOWNERS."

Dependence on Principal Taxpayers: As reflected in this Official Statement under the caption "TAX DATA—Principal Taxpayers," as of January 1, 2022, the District's ten principal taxpayers owned property located in the District, the aggregate certified assessed valuation of which comprised approximately 17.42% of the District's total 2022 certified taxable assessed valuation. Northstar Ranch (as defined herein) represents 4.00% of the District's total 2022 certified taxable assessed valuation and the Developers represent an additional 8.31% of the District's total 2022 certified taxable assessed valuation. In the event that Northstar Ranch, the Developers, any other principal taxpayer, or any combination of taxpayers, should default in the payment of taxes in an amount which exceeds the District's debt service fund surplus, the ability of the District to make timely payment of debt service on the Bonds will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process. Failure to recover or borrow funds in a timely fashion could result in an excessive District tax rate. The District is not required by law or the Bond Order to maintain any specified amount of surplus in its interest and sinking fund.

Maximum Impact on District Tax Rate: Assuming no further development, the value of the land, improvements, and other taxable property currently within the District will be the major determinant of the ability or willingness of property owners to pay their taxes. The 2022 Taxable Assessed Valuation of all taxable property within the District is \$147,967,737 and the Current Estimate of Valuation is \$260,926,004. After issuance of the Bonds, the maximum annual debt service requirement on the Bonds and the Outstanding Bonds is \$2,096,944 (2024), and the average annual debt service requirement on the Bonds and the Outstanding Bonds is \$1,988,431 (2024–2047, high years). Assuming no increase nor decrease from the 2022 Taxable Assessed Valuation, a tax rate of \$1.50 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$1.42 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. Assuming no increase to nor decrease from the Current Estimate of Valuation, a tax rate of \$0.85 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the maximum annual debt service requirement, and a tax rate of \$0.81 per \$100 assessed valuation at a 95% collection rate would be necessary to pay the average annual debt service requirement. See "DISTRICT DEBT—Debt Service Requirements." For the 2022 tax year, the District levied a total tax of \$1.00 per \$100 of assessed valuation composed of the following: a maintenance and operations tax rate of \$0.205 per \$100 of assessed valuation; a Utility System debt service tax rate of \$0.365 per \$100 of assessed valuation; and a Road System debt service tax rate of \$0.430 per \$100 of assessed valuation.

Competitive Nature of Residential Market: The residential housing industry in and around the City is very competitive, and the District can give no assurance that the building programs which are planned by the Developers will be continued or completed. The competitive position of the Developers and any of the homebuilders are affected by most of the factors discussed in this section, and such competitive positions are directly related to tax revenues received by the District and the growth and maintenance of taxable values in the District.

Vacant Developed Lots: As of February 1, 2023, approximately 524 developed lots within the District remained available for construction. Failure of the Developers and/or homebuilders to construct taxable improvements on developed lots could result in substantial increases in the rate of taxation by the District during the term of the Bonds to pay debt service on the Bonds and any other tax supported debt of the District issued in the future. Future increases in value will result primarily from the construction of homes by homebuilders. The District makes no representation that the lot sales and building program will be successful.

Tax Collections Limitations

The District's ability to make debt service payments may be adversely affected by its inability to collect ad valorem taxes. Under Texas law, the levy of ad valorem taxes by the District constitutes a lien in favor of the District on a parity with the liens of all other state and local taxing authorities on the property against which taxes are levied, and such lien may be enforced by foreclosure. The District's ability to collect ad valorem taxes through such foreclosure may be impaired by (a) cumbersome, time-consuming and expensive collection procedures, (b) a bankruptcy court's stay of tax collection procedures against a taxpayer, (c) market conditions limiting the proceeds from a foreclosure sale of taxable property, or (d) the taxpayer's right to redeem the property within two years of foreclosure for residential homestead and agricultural use property and within six (6) months of foreclosure for other property. While the District has a lien on taxable property within the District for taxes levied against such property, such lien can be foreclosed only in a judicial proceeding. Moreover, the value of property to be sold for delinquent taxes and thereby the potential sales proceeds available to pay debt service on the Bonds, may be limited by among other factors, the existence of other tax liens on the property, by the current aggregate tax rate being levied against the property, or by the taxpayers' right to redeem residential or agricultural use property within two (2) years of foreclosure and all other property within six (6) months of foreclosure. Finally, a bankruptcy court with jurisdiction over bankruptcy proceedings initiated by or against a taxpayer within the District pursuant to Federal Bankruptcy Code could stay any attempt by the District to collect delinquent ad valorem taxes assessed against such taxpayer. See "TAXING PROCEDURES."

Registered Owners' Remedies

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

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

to attain an important public purpose or by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions, such as the District.

Bankruptcy Limitation to Registered Owners' Rights

Subject to the requirements of Texas law, the District may voluntarily proceed under Chapter 9 of the Federal Bankruptcy Code, 11 U.S.C. Section 901-946, if the District: (1) is authorized to file for federal bankruptcy protection by Texas law; (2) is insolvent or unable to meet its debts as they mature; (3) desired to effect a plan to adjust such debts; and (4) has either obtained the agreement of or negotiated in good faith with its creditors or is unable to negotiate with its creditors because negotiation is impracticable. Under Texas law, the District must also obtain the approval of the TCEQ prior to filing bankruptcy. Such law requires that the TCEQ investigate the financial conditions of the District and authorize the District to proceed only if the District has fully exercised its rights and powers under Texas law and remains unable to meet its debts and other obligations as they mature.

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

If the District decides in the future to proceed voluntarily under the federal Bankruptcy Code, the District could develop and file a plan for the adjustment of its debts. If such a plan was confirmed by the bankruptcy court, it could, among other things, affect the Beneficial Owners by reducing or eliminating the interest rate or the principal amount, modifying or abrogating collateral or security arrangements, substituting (in whole or in part) other securities, and otherwise compromising and modifying the rights and remedies of such Beneficial Owners' claims against the District.

The District may not be placed into bankruptcy involuntarily.

Future Debt

At an election held within the District on May 6, 2017, voters of the District authorized the District's issuance of a total of \$132,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing water, sewer, and drainage facilities to serve the District (the "Utility System"), and for the purpose of refunding such bonds, and a total of \$33,150,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing road facilities and improvements in aid thereof to serve the District (the "Road System"), and for the refunding of such bonds.

Following the issuance of the Bonds, the District has the right to issue the remaining \$114,565,000 principal amount of unlimited tax bonds authorized but unissued for the Utility System and for the refunding of such bonds issued by the District for the Utility System; \$20,555,000 principal amount of unlimited tax bonds authorized but unissued for the Road System and for the refunding of such bonds issued by the District for the Road System; and any additional bonds as may hereafter be approved by both the Board and voters of the District. The District also has the right to issue certain other additional bonds, revenue bonds, special project bonds, and other obligations as described in the Bond Order. See "THE BONDS—Issuance of Additional Debt."

Following issuance of the Bonds, the District will owe the Developers approximately \$20,000,000 for the expenditures that the Developers have incurred to date for construction of the Road System and the Utility System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

Environmental Regulations

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

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

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

Air Quality Issues. Air quality control measures required by the United States Environmental Protection Agency (the “EPA”) and the TCEQ may impact new industrial, commercial and residential development in the Dallas-Fort Worth area. Under the Clean Air Act (“CAA”) Amendments of 1990, a nine-county Dallas-Fort Worth area (“1997 DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, and Tarrant Counties—has been designated an attainment area under the one-hour (124 parts per billion (“ppb”)) and eight (8)-hour (84 ppb) standards promulgated by the EPA in 1997 (the “1997 Ozone Standards”).

However, a ten-county Dallas-Fort Worth area (“2008 DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Rockwall, Tarrant, and Wise Counties—has been designated a “moderate” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the “2008 Ozone Standard”), with an attainment deadline of July 20, 2018. If the EPA ultimately determines that the 2008 DFW Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

Further, a nine-county Dallas-Fort Worth area (“2015 DFW Area”)—Collin, Dallas, Denton, Ellis, Johnson, Kaufman, Parker, Tarrant, and Wise Counties has been designated a “marginal” nonattainment area under the eight-hour ozone standard of 75 ppb promulgated by the EPA in 2015 (the “2015 Ozone Standard”), with an attainment deadline of August 3, 2021.

In order to demonstrate progress toward attainment of the EPA’s ozone standards, the TCEQ has established a state implementation plan (“SIP”) for the 2008 and 2015 DFW Areas setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the 2008 and 2015 DFW Areas to reach attainment with the ozone standards by the EPA’s attainment deadlines. These additional controls could have a negative impact on the area’s economic growth and development.

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

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

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

Texas Pollutant Discharge Elimination System (“TPDES”) permits set limits on the type and quantity of discharge, in accordance with state and federal laws and regulations. The TCEQ reissued the TPDES Construction General Permit (TXR150000), with an effective date of March 5, 2018, which is a general permit authorizing the discharge of stormwater runoff associated with small and large construction sites and certain non-stormwater 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. 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 itself became the subject of litigation in multiple jurisdictions.

On January 23, 2020, the EPA and USACE released the Navigable Waters Protection Rule (“NWPR”), which contained a new definition of “waters of the United States.” The NWPR became effective June 22, 2020, and is 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 made plans to replace it. On November 18, 2021, the EPA and USACE issued a Notice of Proposed Rulemaking to put back into place the pre-2015 definition of “waters of the United States,” and on December 7, 2021, the proposed rule was published in the Federal Register, with the public comment period closing on February 7, 2022. On December 30, 2022, the EPA and USACE finalized the proposed rule, effective as of March 20, 2023, which vacates and remands the NWPR released in 2020 and interprets “waters of the United States” consistent with the pre-2015 regulatory regime. The adoption of the new rule is the subject of litigation, including a suit filed in the United States District Court for the Southern District of Texas. Due to this existing and possible future litigation and regulatory action, there remains uncertainty regarding the ultimate scope of “waters of the United States” and the extent of EPA and USACE jurisdiction. Depending on the final outcome of such proceedings, operations of municipal utility districts, including the District, could potentially be subject to additional restrictions and requirements, including additional permitting requirements.

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.

Marketability

The District has no understanding (other than the initial reoffering yields) with the Initial Purchaser regarding the reoffering yields or prices of the Bonds and has no control over the trading of the Bonds in the secondary market. Moreover, there is no assurance that a secondary market will be made for the Bonds. If there is a secondary market, the difference between the bid and asked price of the Bonds may be greater than the bid and asked spread of other bonds generally bought, sold, or traded in the secondary market. See "SALE AND DISTRIBUTION OF THE BONDS."

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.

Changes in Tax Legislation

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

Future and Proposed Legislation

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

2023 Legislative Session

The 88th Regular Legislative Session convened on January 10, 2023 and will conclude on May 29, 2023. The Texas Legislature could enact laws that materially change current laws affecting ad valorem tax matters, election measures, and other matters which could adversely affect the marketability or market value of the Bonds. The District can make no representation regarding any actions the Texas Legislature may take or the effect of any such actions.

Bond Insurance Risk Factors

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in

such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the provider of the Policy (the “Bond Insurer”) at such time and in such amounts as would have been due absence such prepayment by the District unless the Bond Insurer chooses to pay such amounts at an earlier date.

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

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

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer’s financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See “MUNICIPAL BOND INSURANCE” and “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 nor the Initial Purchaser 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 of and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See “MUNICIPAL BOND INSURANCE” and “RATING” 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 some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Bond Order. The Bonds are dated April 1, 2023. Interest on the Bonds accrues from the initial date of delivery (on or about April 27, 2023) (the “Date of Delivery”), and is payable on September 1, 2023, and each March 1 and September 1 thereafter (each an “Interest Payment Date”) until the earlier of maturity or redemption. The Bonds are fully registered bonds maturing on September 1 of the years shown on the inside cover page of this Official Statement. Principal of the Bonds will be payable to the registered owners (the “Registered Owners”) at maturity or redemption upon presentation at the principal payment office of the paying agent/registrar, initially, BOKF, NA, Dallas, Texas (the “Paying Agent/Registrar”). Interest on the Bonds will be payable as of the Interest Payment Date, and paid by the Paying Agent/Registrar to Registered Owners as shown on the records of the Paying Agent/Registrar at the close of business on the 15th calendar day of the month next preceding the Interest Payment Date (the “Record Date”) or by such other customary banking arrangements as may be agreed upon by the Paying Agent/Registrar and a Registered Owner at the risk and expense of such Registered Owner.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee’s name. The

information in this section concerning DTC and the Book-Entry-Only System 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 the Bonds, each in the aggregate principal amount of such series, and will be deposited with DTC.

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed

by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds, principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or 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, principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

Successor Paying Agent/Registrar

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

Record Date

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

Registration, Transfer and Exchange

Interest on the Bonds will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the "Record Date" (the fifteenth calendar day of the month next preceding each interest payment date) and shall be paid by the Paying Agent/Registrar (i) by check

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

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

Mutilated, Lost, Stolen or Destroyed Bonds

In the event the Book-Entry-Only System should be discontinued, the District has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds 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
05/06/2017	Utility System & Refunding	\$ 132,600,000	\$18,035,000 (a)	\$ 114,565,000
05/06/2017	Road System & Refunding	33,150,000	12,595,000	20,555,000

(a) Includes the Bonds.

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, particularly Chapters 49 and 54 of the Texas Water Code, as amended; (iii) an election held within the District on May 6, 2017; and (iv) an order adopted by the TCEQ.

Source of Payment

The Bonds are payable from the proceeds of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property located within the District. In the Bond Order, the District covenants to levy a sufficient tax to pay principal of and interest on the Bonds, with full allowance being made for delinquencies, costs of collections, Paying Agent/Registrar fees, and fees of the Tarrant County Appraisal District and the Wise County Appraisal District (the "Appraisal Districts"). 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, including the Bonds. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued for the Road System.

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

Funds

The Bond Order confirms the District's fund for debt service on the Bonds and the Outstanding 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"). At the time of closing, six (6) months of capitalized interest will be

deposited 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 the Outstanding Bonds issued for the Utility System, 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 the Outstanding Bonds issued for the Utility System 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, the Outstanding Bonds issued for the Utility System, and any additional bonds for the Utility System payable in whole or in part from taxes, and to pay any tax anticipation notes issued, together with interest thereon, as such tax anticipation notes become due. Amounts on deposit in the Utility System Debt Service Fund may not be used to pay debt service on bonds issued by the District for the Road System.

Redemption Provisions

Optional Redemption: The Bonds maturing on and after September 1, 2029, shall be subject to redemption at the option of the District, in whole or from time to time in part, on April 1, 2029, or on any date thereafter, at the par value thereof plus accrued interest thereon 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 Register.

If less than all of the Bonds are redeemed at any time, the maturities of the Bonds to be redeemed shall be selected by the District. If less than all of the Bonds of a certain maturity are to be redeemed, the particular Bonds or portions thereof to be redeemed will be selected by the Paying Agent/Registrar prior to the redemption date by a random selection method in integral multiples of \$5,000 within any one maturity. The registered owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Paying Agent/Registrar for payment of the redemption price on the portion of the Bonds so called for redemption and issuance of a new Bond in the principal amount equal to the portion of such Bond not redeemed.

Mandatory Redemption: The Bonds maturing on September 1 in the years 2036, 2044, 2046 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:

<u>\$490,000 Term Bonds Maturing on September 1, 2036</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2035	\$ 240,000
September 1, 2036 (Maturity)	250,000
<u>\$695,000 Term Bonds Maturing on September 1, 2044</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2043	\$ 340,000
September 1, 2044 (Maturity)	355,000
<u>\$755,000 Term Bonds Maturing on September 1, 2046</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2045	\$ 370,000
September 1, 2046 (Maturity)	385,000
<u>\$825,000 Term Bonds Maturing on September 1, 2048</u>	
<u>Mandatory Redemption Date</u>	<u>Principal Amount</u>
September 1, 2047	\$ 405,000
September 1, 2048 (Maturity)	420,000

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

No Arbitrage

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

Annexation

Under existing Texas law, since the District lies wholly within the extraterritorial jurisdiction of the City (“ETJ”), the District must conform to a City consent ordinance. Generally, the District may be annexed by the City without the District’s consent, and the City cannot annex territory within the District unless it annexes the entire District. However, the City may not annex the District unless (i) such annexation has been approved by a majority of those voting in an election held for that purpose within the area to be annexed, and (ii) if the registered voters in the area to be annexed do not own more than 50 percent of the land in the area, a petition has been signed by more than 50 percent of the landowners consenting to the annexation. Notwithstanding the preceding sentence, the described election and petition does not apply during the term of a strategic partnership agreement (“SPA”) between the City and the District specifying the procedures for full purpose annexation of all or a portion of the District. See “STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF FORT WORTH.”

Consolidation

The District’s ability to consolidate with other municipal utility districts is limited by the Agreement Concerning Creation with the City of Fort Worth. Without prior City Council approval, the District shall not (a) convert into another type of district; (b) consolidate with another district; (c) divide into two or more new districts; or (d) seek additional governmental powers beyond those granted to the District by the TCEQ in the creation process.

Defeasance

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

of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the District adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Bonds.

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

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

Outstanding Bonds

The District has previously issued one (1) series of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and two (2) series of unlimited tax bonds for the purpose of acquiring or constructing the Road System. As of February 1, 2023, \$24,095,000 principal amount of such previously issued bonds remained outstanding (the "Outstanding Bonds").

Issuance of Additional Debt

The District's voters have authorized the District's issuance of the following: \$132,600,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Utility System and for the refunding of such bonds; \$33,150,000 principal amount of unlimited tax bonds for the purpose of acquiring or constructing the Road System and for the refunding of such bonds; and could authorize additional amounts. Following the issuance of the Bonds, \$114,565,000 principal amount of unlimited tax bonds for the Utility System and for the refunding of such bonds and \$20,555,000 principal amount of unlimited tax bonds for the Road System and for the refunding of such bonds will remain authorized but unissued.

In the Bond Order, the District reserves the right to issue the remaining authorized but unissued bonds plus such additional bonds as may hereafter be authorized by voters in the District. The Bond Order imposes no limitation on the amount of additional parity bonds that may be issued by the District (if authorized by the District's voters and, in the case of bonds for the Utility System (such as the Bonds), approved by the TCEQ). The District's issuance of bonds for the Road System is not subject to approval by the TCEQ.

Following issuance of the Bonds, the District will owe the Developers approximately \$20,000,000 for expenditures to construct the Utility System and the Road System. If additional bonds are issued in the future and property values have not increased proportionately, such issuance may increase gross debt-to-property valuation ratios and thereby adversely affect the investment quality or security of the Bonds.

According to the District's Engineer (hereinafter defined), the remaining authorized but unissued bonds will be sufficient to reimburse the Developers (hereinafter defined) for the existing facilities and finance the development of the remaining undeveloped land within the District.

The District is also authorized by statute to engage in fire-fighting activities, including the issuing of bonds payable from taxes for such purposes. Before the District could issue such bonds, the following actions would be required: (a) authorization of a detailed fire protection plan; (b) approval of the fire plan by the TCEQ; (c) approval of the fire plan by the voters of the District; and (d) approval of bonds, if any, by the Attorney General

of Texas. If additional debt obligations are issued in the future by the District, such issuance may increase gross debt-property ratios and might adversely affect the investment security of the Bonds.

Amendments to the Bond Order

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

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 State 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 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 an excerpt from Section 49.186 of the Texas Water Code and is applicable to the District:

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

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

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

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

Use and Distribution of Bond Proceeds

Proceeds from the sale of the Bonds will be used to reimburse 170 Northstar (hereinafter defined) for construction costs and impact fees listed below. Additionally, proceeds of the Bonds will be used to pay six (6) months of capitalized interest, developer interest, and other costs associated with the issuance of the Bonds.

Construction Costs

A. Developer Contribution Items	
1. Northstar Section 1 Phase 1—Utility System	\$ 4,010,936
Total Developer Contribution Items	\$ 4,010,936
B. District Items	
1. City of Fort Worth Impact Fees	\$ 960,680
Total District Items	\$ 960,680
Total Construction Costs	\$ 4,971,616

Non-Construction Costs

A. Legal Fees	\$ 170,700
B. Fiscal Agent Fees	130,700
C. Interest Costs	
1. Capitalized Interest	147,459
2. Developer Interest	761,289
D. Bond Discount	195,605
E. Bond Issuance Expenses	48,223
F. Bond Application Report Costs	53,837
G. Attorney General Fee	6,535
H. TCEQ Bond Issuance Fee	16,338
I. Contingency (a)	32,698
Total Non-Construction Costs	\$ 1,563,384
Total Bond Issue Requirement	\$ 6,535,000

(a) Represents the sum of the difference between the estimated and actual amounts of capitalized interest and discount on the Bonds.

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 DEBT

2022 Taxable Assessed Valuation.....	\$ 147,967,737	(a)
Current Estimate of Valuation	\$ 260,926,004	(b)
Direct Debt:		
The Outstanding Bonds.....	\$ 24,095,000	
The Bonds	<u>\$ 6,535,000</u>	
Total.....	\$ 30,630,000	
Estimated Overlapping Debt.....	<u>\$ 7,541,967</u>	(c)
Total Direct and Estimated Overlapping Debt	\$ 38,171,967	(c)
Direct Debt Ratios:		
Based on the 2022 Taxable Assessed Valuation	20.70	%
Based on the Current Estimate of Valuation	11.74	%
Direct and Estimated Overlapping Debt Ratios:		
Based on the 2022 Taxable Assessed Valuation	25.80	%
Based on the Current Estimate of Valuation	14.63	%
Utility System Debt Service Fund Balance (as of March 29, 2023).....	\$ 812,108	(d)
Road System Debt Service Fund Balance (as of March 29, 2023)	\$ 768,917	
Utility System Capital Projects Fund Balance (as of March 29, 2023).....	\$ 159,025	
Road System Capital Projects Fund Balance (as of March 29, 2023).....	\$ 52,132	
General Operating Fund Balance (as of March 29, 2023)	\$ 489,485	
2022 Tax Rate		
Utility System Debt Service	\$0.365	
Road System Debt Service	\$0.430	
Maintenance & Operation	<u>\$0.205</u>	
Total.....	\$1.000	
Average Annual Debt Service Requirement (2024–2047, high years)	\$ 1,988,431	(e)
Maximum Annual Debt Service Requirement (2024).....	\$ 2,096,944	(e)
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Average Annual Requirement (2024–2047, high years) at 95% Tax Collections		
Based on the 2022 Taxable Assessed Valuation.....	\$1.42	
Based on the Current Estimate of Valuation	\$0.81	
Combined Debt Service Tax Rate per \$100 of Assessed Valuation Required to Pay Maximum Annual Requirement (2024) at 95% Tax Collections		
Based on the 2022 Taxable Assessed Valuation.....	\$1.50	
Based on the Current Estimate of Valuation	\$0.85	

- (a) Represents the taxable assessed value of all taxable property within the District as of January 1, 2022, as provided by the Appraisal Districts. Such amount includes \$6,419,402 of value under review by the Appraisal Districts as of certification. See "TAX DATA" and "TAXING PROCEDURES."
- (b) Such value has been provided by the Appraisal Districts for informational purposes only. This amount is an estimate of the most recent value of all taxable property located within the District resulting from new construction of taxable improvements from January 1, 2022 and is comprised of the following: \$38,591,959 as provided by Wise County Appraisal District as of January 1, 2023 and \$222,334,045 as provided by Tarrant County Appraisal District as of March 1, 2023. A small portion of the District lies within Denton County; however, such properties are being appraised by Wise County. No taxes will be levied on this estimate. See "TAX DATA" and "TAXING PROCEDURES."
- (c) See "DISTRICT DEBT—Estimated Overlapping Debt Statement."
- (d) Six (6) months of capitalized interest will be deposited into the Utility System Debt Service Fund upon closing and delivery 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 or the Road System Debt Service Fund. Funds in the Utility System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Road System and funds in the Road System Debt Service Fund are not available to pay debt service on bonds issued by the District for the Utility System (such as the Bonds).
- (e) See "DISTRICT DEBT—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 *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 February 28, 2023	Overlapping	
		Percent	Amount
Tarrant County (a)	\$ 404,360,000	0.06%	\$ 223,697
Tarrant County Hospital District (a)	11,115,000	0.06%	6,144
Tarrant County College (a)	610,315,000	0.06%	336,109
Wise County (b)	6,570,000	0.09%	6,183
Northwest ISD	1,429,700,334	0.49%	6,969,833
Total Estimated Overlapping Debt			\$ 7,541,967
The District (c)			<u>\$30,630,000</u>
Total Direct & Estimated Overlapping Debt			<u>\$38,171,967</u>

(a) As of certification, \$137,401,180 of the District's 2022 Taxable Assessed Valuation lies within Tarrant County.

(b) As of certification, \$10,566,557 of the District's 2022 Taxable Assessed Valuation lies within Wise County. Additionally, a small portion of the District lies within Denton County; however, such properties are being appraised by Wise County.

(c) Includes the Bonds.

Debt Ratios

Direct Debt Ratios (a):

Based on the 2022 Taxable Assessed Valuation	20.70	%
Based on the Current Estimate of Valuation	11.74	%

Direct and Estimated Overlapping Debt Ratios (a):

Based on the 2022 Taxable Assessed Valuation	25.80	%
Based on the Current Estimate of Valuation	14.63	%

(a) Includes the Bonds.

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Debt Service Requirements

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

Calendar Year	Outstanding Debt Service (a)	The Bonds		Debt Service	Total Debt Service
		Principal	Interest		
2023	\$ 501,013	\$ –	\$ 101,583	\$ 101,583	\$ 602,596
2024	1,657,025	145,000	294,919	439,919	2,096,944
2025	1,637,825	155,000	285,494	440,494	2,078,319
2026	1,617,400	160,000	275,419	435,419	2,052,819
2027	1,600,788	165,000	265,019	430,019	2,030,806
2028	1,588,338	175,000	254,294	429,294	2,017,631
2029	1,575,588	180,000	242,919	422,919	1,998,506
2030	1,561,525	190,000	233,019	423,019	1,984,544
2031	1,556,150	200,000	223,519	423,519	1,979,669
2032	1,548,063	210,000	213,519	423,519	1,971,581
2033	1,536,463	220,000	203,019	423,019	1,959,481
2034	1,540,325	225,000	194,219	419,219	1,959,544
2035	1,537,938	240,000	185,219	425,219	1,963,156
2036	1,539,500	250,000	175,619	425,619	1,965,119
2037	1,539,813	260,000	165,619	425,619	1,965,431
2038	1,538,875	270,000	155,219	425,219	1,964,094
2039	1,546,688	285,000	144,419	429,419	1,976,106
2040	1,541,613	295,000	133,019	428,019	1,969,631
2041	1,538,750	310,000	121,219	431,219	1,969,969
2042	1,539,338	325,000	108,819	433,819	1,973,156
2043	1,538,238	340,000	95,819	435,819	1,974,056
2044	1,540,413	355,000	81,794	436,794	1,977,206
2045	1,533,563	370,000	67,150	437,150	1,970,713
2046	1,529,313	385,000	51,425	436,425	1,965,738
2047	1,518,063	405,000	35,063	440,063	1,958,125
2048	–	420,000	17,850	437,850	437,850
Total	\$ 37,902,600	\$6,535,000	\$ 4,325,189	\$10,860,189	\$ 48,762,789

(a) As of March 1, 2023.

Average Annual Debt Service Requirement (2024–2047, high years)\$1,988,431
Maximum Annual Debt Service Requirement (2024).....\$2,096,944

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TAXING PROCEDURES

Set forth below is a summary of certain provisions of the Texas Tax Code (the “Tax Code”) relating to the District’s ability to levy and collect property taxes on property within the District. Provisions of the Tax Code are complex and are not fully summarized herein. Reference is made to the Tax Code for more complete information, including the identification of property subject to taxation, property exempt, or which may be exempted from taxation, if claimed, the appraisal of property for ad valorem tax purposes, and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Authority to Levy Taxes

The Board is authorized to levy an annual ad valorem tax, without legal limitation as to rate or amount, on all taxable property within the District in sufficient amount to pay the principal of and interest on the Bonds, the Outstanding Bonds issued for the Utility System, and any additional bonds payable from taxes that the District may hereafter issue for the purpose of acquiring or constructing the Utility System and to pay the expenses of assessing and collecting such taxes. In the Bond Order, the District agrees to levy such a tax from year to year as described more fully above under “THE BONDS – Source of Payment.” The Board is also authorized to levy an annual ad valorem tax, without legal limit as to rate or amount, on all taxable property in the District in sufficient amount to pay the principal of and interest any bonds payable from taxes that the District has or may hereafter issue for the purpose of acquiring or constructing the Road System and to pay the expenses of assessing and collecting such taxes. Under State law, the Board may also levy and collect annual ad valorem taxes for the operation and maintenance of the District for the payment of certain contractual obligations. For the 2022 tax year, the District levied a total tax of \$1.00 per \$100 of assessed valuation composed of the following: a maintenance and operations tax rate of \$0.205 per \$100 of assessed valuation; a Utility System debt service tax rate of \$0.365 per \$100 of assessed valuation; and a Road System debt service tax rate of \$0.430 per \$100 of assessed valuation. See “TAX DATA—Tax Rate Limitation.”

Tax Code and County-Wide Appraisal District

Title I of the Texas Tax Code (the “Property Tax Code”) specifies the taxing procedures of all political subdivisions of the State, including the District. Provisions of the Property Tax Code are complex and are not fully summarized herein. The Property Tax Code requires, among other matters, county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district with the responsibility for recording and appraising property for all taxing units within a county and an appraisal review board with responsibility for reviewing and equalizing the values established by the Appraisal Districts. Each Appraisal District has the responsibility of appraising property for all taxing units within the County, including the District. Such appraisal values will be subject to review and change by the Wise County Appraisal Review Board and the Tarrant County Appraisal Review Board (collectively the “ARBs”). The appraisal rolls, as approved by the ARBs, will be used by the District in establishing its tax rolls and tax rate.

Property Subject to Taxation by the District

General: Except for certain exemptions provided by State law, all real property, tangible personal property held or used for the production of income, mobile homes and certain categories of intangible personal property with a tax situs in the District are subject to taxation by the District. Principal categories of exempt property include, but are not limited to: property owned by the State or its political subdivisions, if the property is used for public purposes; property exempt from ad valorem taxation by federal law; certain household goods, family supplies and personal effects; certain goods, wares, and merchandise in transit; certain farm products owned by the producer; certain property of charitable organizations, youth development associations, religious organizations, and qualified schools; designated historical sites; and most individually-owned automobiles. In addition, the District may by its own action exempt residential homesteads of persons 65 years or older and certain disabled persons, to the extent deemed advisable by the Board. The District may be required to offer such exemptions if a majority of voters approve same at an election. The District would be required to call an election upon petition by twenty percent (20%) of the number of qualified voters who voted in the preceding election. The District is authorized by statute to disregard exemptions for the disabled and elderly if granting the exemption would impair the District’s obligation to pay tax supported debt incurred prior to adoption of the exemption by the District. Furthermore, the District must grant exemptions to disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces, if

requested, but only to the maximum extent of between \$5,000 and \$12,000 depending upon the disability rating of the veteran claiming the exemption. A veteran who receives a disability rating of one hundred percent (100%) is entitled to an exemption for the full value of the veteran's residence homestead. Furthermore, qualifying surviving spouses of persons 65 years of age and older are entitled to receive a resident homestead exemption equal to the exemption received by the deceased spouse. Additionally, subject to certain conditions, the surviving spouse of a disabled veteran who is entitled to an exemption for the full value of the veteran's residence homestead is also entitled to an exemption from taxation of the total appraised value of the same property to which the disabled veteran's exemption applied. A partially disabled veteran or certain surviving spouses of partially disabled veterans are entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization at no cost to the veteran. This exemption applies to a residence homestead that was donated by a charitable organization at some cost to such veterans. The surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

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

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

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

Reappraisal of Property after Disaster

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

Tax Abatement

Tarrant County and Wise County may each designate all or part of the area within the District as a reinvestment zone. Thereafter, either Northwest Independent School District 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 jurisdictions. None of the area within the District has been designated as a reinvestment zone to date, 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 Districts at market value as of January 1 of each year. Once an appraisal roll is prepared and finally approved by the ARBs, it is used by the District in establishing its tax rolls and tax rate. Assessments under the Property Tax Code are to be based on one hundred percent (100%) of market value, as such is defined in the Property Tax Code.

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

Rollback of Operation and Maintenance Tax Rate

Chapter 49 of the Texas Water Code, as amended, classifies districts differently based on the current operation and maintenance tax rate or on the percentage of build-out that the District has completed. Districts that have adopted an operation and maintenance tax rate for the current year that is 2.5 cents or less per \$100 of taxable value are classified as "Special Taxing Units." Districts that have financed, completed, and issued bonds to pay for all improvements and facilities necessary to serve at least 95% of the projected build-out of the district are

classified as “Developed Districts.” Districts that do not meet either of the classifications previously discussed can be classified herein as “Developing Districts.” The impact each classification has on the ability of a district to increase its maintenance and operations tax rate is described for each classification below. Debt service and contract tax rates cannot be reduced by a rollback election held within any of the districts described below.

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

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

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

The District: A determination as to a district's status as a Special Taxing Unit, Developed District or Developing District will be made by the Board on an annual basis. For the 2022 tax year, the District was classified as a Developing District by the Board. The District cannot give any assurances as to what its classification will be at any point in time or whether the District's future tax rates will result in a total tax rate that will reclassify the District into a new classification and new election calculation.

District and Taxpayer Remedies

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

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

Levy and Collection of Taxes

The District is responsible for the levy and collection of its taxes unless it elects to transfer such functions to another governmental entity. The rate of taxation is set by the Board, after the legally required notice has been given to owners of property within the District, based upon: a) the valuation of property within the District as

of the preceding January 1, and b) the amount required to be raised for debt service, maintenance purposes, and authorized contractual obligations. Taxes are due October 1, or when billed, whichever comes later, and become delinquent if not paid before February 1 of the year following the year in which imposed. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty for collection costs of an amount established by the District and a delinquent tax attorney. A delinquent tax on personal property incurs an additional penalty, in an amount established by the District and a delinquent tax attorney, 60 days after the date the taxes become delinquent. The delinquent tax accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code makes provisions for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes under certain circumstances which, at the option of the District, which may be rejected by taxing units. The District's tax collector is required to enter into an installment payment agreement with any person who is delinquent on the payment of tax on a residence homestead for payment of tax, penalties and interest, if the person requests an installment agreement and has not entered into an installment agreement with the collector in the preceding 24 months. The installment agreement must provide for payments to be made in monthly installments and must extend for a period of at least 12 months and no more than 36 months. Additionally, the owner of a residential homestead property who is (i) sixty-five (65) years of age or older, (ii) disabled, or (iii) a disabled veteran, is entitled by law to pay current taxes on a residential homestead in installments without penalty or to defer the payment of taxes during the time of ownership. In the instance of tax deferral, a tax lien remains on the property and interest continue to accrue during the period of deferral.

Tax Payment Installments After Disaster

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

District's Rights in the Event of Tax Delinquencies

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

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

TAX DATA

General

All taxable property within the District is subject to the assessment, levy, and collection by the District of a continuing direct annual ad valorem tax, without legal limitation as to rate or amount, sufficient to pay principal of and interest on the Bonds and the Outstanding Bonds. See "TAXING PROCEDURES." The Board has in its Bond Order covenanted to assess and levy for each year that all or any part of the Bonds remain outstanding and unpaid a tax sufficient to produce funds to pay the principal of and interest on the Bonds. See "THE BONDS" and "RISK FACTORS."

For the 2022 tax year, the District levied a total tax of \$1.00 per \$100 of assessed valuation composed of the following: a maintenance and operations tax rate of \$0.205 per \$100 of assessed valuation; a Utility System debt service tax rate of \$0.365 per \$100 of assessed valuation; and a Road System debt service tax rate of \$0.430 per \$100 of assessed valuation.

Additional Penalties

The District has contracted with a delinquent tax attorney to collect certain delinquent taxes. In connection with that contract, the District can establish an additional penalty of twenty percent (20%) of the tax to defray the costs of collection. This 20% penalty applies to taxes that either: (1) become delinquent on or after February 1 of a year, but not later than June 1 of that year, and that remain delinquent on April 1 (for personal property) and July 1 (for real property) of the year in which they become delinquent or (2) become delinquent on or after June 1, pursuant to the Property Tax Code.

Tax Rate Limitation

Utility System Debt Service:	Unlimited (no legal limit as to rate or amount).
Road System Debt Service:	Unlimited (no legal limit as to rate or amount).
Utility System Maintenance:	\$1.00 per \$100 of assessed valuation.
Road System Maintenance:	\$0.25 per \$100 of assessed valuation.

Historical Tax Collections

The following table illustrates the collection history of the District for the 2020–2022 tax years:

Tax Year	Certified Taxable Value	Tax Rate (a)	Adjusted Tax Levy	Collections Current Year	Current Year Ending 9/30	Collections 02/28/2023
2020	\$ 7,063,671	\$1.000	\$ 70,637	100.00%	2021	100.00%
2021	32,465,672	1.000	324,657	99.01%	2022	99.55%
2022	147,967,737	1.000	1,479,677	96.94%(b)	2023	96.94%

(a) See "—Tax Rate Distribution" below.

(b) Collections as of February 28, 2023.

Tax Rate Distribution

The following table sets out the tax rates levied by the District for the 2020–2022 tax years:

	2022	2021	2020 (a)
Utility System Debt Service	\$0.365	\$0.000	\$0.000
Road System Debt Service	0.430	0.000	0.000
Maintenance and Operations	<u>0.205</u>	<u>1.000</u>	<u>1.000</u>
Total	\$1.000	\$1.000	\$1.000

(a) The District's initial tax levy.

Analysis of Tax Base

The following table illustrates the District's total taxable assessed value in the tax years 2019–2022 by type of property:

Type of Property	2022 Taxable Assessed Valuation	2021 Taxable Assessed Valuation	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation
Land	\$ 150,068,429	\$ 37,565,158	\$ 6,752,958	\$ 136,256
Improvements	4,581,815	257,240	210,330	–
Personal Property	143,547	95,971	100,383	–
Exemptions	(6,826,054)	(5,452,697)	–	–
Total	\$ 147,967,737	\$ 32,465,672	\$ 7,063,671	\$ 136,256

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 Taxable Value 2022 Tax Roll	Percentage of District's 2022 Taxable Value
Meritage Homes of Texas LLC (a)(b)	Land & Improvements	\$ 7,476,854	5.05%
Northstar Ranch LLC (a)	Land	5,921,898	4.00%
HMH Lifestyles LP (b)	Land & Improvements	4,600,490	3.11%
DR Horton – Texas LTD (a)(b)	Land & Improvements	2,715,592	1.84%
170 Northstar Ranch Developer Inc. (a)	Land & Improvements	2,110,291	1.43%
Jeff 1 LLC	Land & Improvements	897,363	0.61%
Homeowner	Land & Improvements	533,632	0.36%
Homeowner	Land & Improvements	508,045	0.34%
Homeowner	Land & Improvements	508,045	0.34%
Riverside Homebuilders LTD (b)	Land & Improvements	504,207	0.34%
Total		\$ 25,776,417	17.42%

(a) See "THE DEVELOPERS/PRINCIPAL LANDOWNERS" below and "Analysis of Tax Base" above.

(b) See "DEVELOPMENT STATUS OF THE DISTRICT—Homebuilders within the District."

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 on the Bonds if no growth in the District occurs beyond the 2022 Taxable Assessed Valuation (\$147,967,737) or the Current Estimate of Valuation (\$260,926,004). The following further assumes collection of 95% of taxes levied and the sale of no additional bonds:

Average Annual Debt Service Requirement (2024–2047, high years)	\$ 1,988,431
Debt Service Tax of \$1.42 on the 2022 Taxable Assessed Valuation produces.....	\$ 1,996,085
Debt Service Tax of \$0.81 on the Current Estimate of Valuation produces	\$ 2,007,826
Maximum Annual Debt Service Requirement (2024).....	\$ 2,096,944
Debt Service Tax of \$1.50 on the 2022 Taxable Assessed Valuation produces.....	\$ 2,108,540
Debt Service Tax of \$0.85 on the Current Estimate of Valuation produces	\$ 2,106,977

Estimated Overlapping Taxes

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

Set forth below is 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.

Taxing Jurisdiction	2022 Tax Rate		
	Tarrant County	Wise County	Denton County (a)
The District	\$ 1.000000	\$ 1.000000	\$ 1.000000
Tarrant County	0.224000	–	–
Northwest ISD	1.274600	1.274600	1.274600
Tarrant County Hospital District	0.224429	–	–
Tarrant County College District	0.130170	–	–
ESD No. 1	0.080000	–	–
Wise County	–	0.255000	–
Wise FM Flood – Latera	–	0.045000	–
Wise County Branch Maintenance	–	0.037500	–
WCID No. 1	–	0.008108	–
Denton County	–	–	0.217543
Total	\$ 2.933199	\$ 2.620208	\$ 2.492143

(a) A small portion of the District lies within Denton County; however, such properties are being appraised by Wise County.

THE DISTRICT

General

The District is a political subdivision of the State of Texas operating as a municipal utility district pursuant to Article XVI, Section 59 and Article III, Section 52 of the Texas Constitution. The District was created by Order of the TCEQ dated January 12, 2017, and is vested with all the rights, privileges, authority and functions conferred by the laws of the State of Texas applicable to municipal utility districts, including without limitation those conferred by Chapters 49 and 54, Texas Water Code, as amended. The District is authorized to purchase, construct, operate, and maintain all works, improvements, facilities, and plants necessary for the supply of water; the collection, transportation and treatment of wastewater; and the control and diversion of storm water. Pursuant to the Order of the TCEQ and House Bill No. 4331 (85th Session of the Texas Legislative, Regular Session), codified as Chapter 8011 of the Texas Special District Local Laws Code, the District has the authority under Article III, Section 52 of the Texas Constitution to acquire, construct, finance, improve, operate or maintain macadamized, graveled or paved roads or improvements, including storm drainage, in aid of those roads. The District may also provide solid waste collection and disposal service and operate and maintain recreational facilities. The District may operate and maintain a fire department, independently or with one or more other conservation and reclamation districts, if approved by the voters and the TCEQ. The District does not operate and/or maintain a fire department. The District is subject to the continuing supervision of the TCEQ.

Description

The District as created encompassed approximately 719.903 acres. Effective June 27, 2017, the District annexed approximately 13.745 acres and currently encompasses approximately 733.65 acres. The District is a political subdivision of the State of Texas located at the intersection of Tarrant County, Wise County and Denton County, approximately 17 miles northwest of the Central Business District of the City, and wholly within the ETJ of the City. The District is bounded on the west by State Highway 287 and is bisected by Bates Aston Road.

Management of the District

The District is governed by a board of five directors which has control and management supervision over all affairs of the District. None of the present members of the Board reside within the District, but all own real property located within the boundaries of the District. Directors are elected in even-numbered years for staggered, four-year terms. The present members and officers of the Board are listed below:

<u>Name</u>	<u>Position</u>	<u>Term Expires May</u>
Sharon Crockett	President	2024
Maggie Cleveland	Vice President	2026
Kristin Lea Hull	Secretary	2026
Ann Davis	Assistant Secretary	2024
Cindy Criswell	Assistant Secretary	2026

The District has contracted with following companies to manage various functions:

Tax Assessor/Collector: The District's Tax Assessor/Collector is the Tarrant County Tax Assessor-Collector.

Bookkeeper: Dye & Toverly, LLC, serves as bookkeeper to the District.

Auditor: As required by the Texas Water Code, the District retains an independent auditor to audit the District's financial statements annually, which annual audit is filed with the TCEQ. McCall Gibson Swedlund Barfoot PLLC performed the audit of the District's financial statements for the fiscal year ended April 30, 2022. See "APPENDIX A."

Engineer: The District's consulting engineer is Elevation Land Solutions, LLC (the "Engineer").

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

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

STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF FORT WORTH

Effective August 20, 2018, the District entered into a Strategic Partnership Agreement ("SPA") with the City. The District and the City agree that the City may annex certain property within the District for the limited purpose of collecting sales and use tax revenues on eligible commercial activities, in accordance with Section 43.0751, Texas Local Government Code. The City will pay the District 50% of the sales and use tax revenues collected during the first nineteen (19) years of the Limited Purpose Annexation Period. During the nineteenth year of the Limited Purpose Annexation Period, the City will retain 50% of the payment otherwise due to the District, up to a maximum of \$300,000. Thereafter, the City will pay to the District an amount equal to 25% of the sales and use tax revenues collected commencing on the first day of the twentieth year of the Limited Purpose Annexation Period.

The District is required to deposit the District's share of sales and use tax revenues in a segregated interest-bearing account and such revenues may be used in the following order or priority: (i) reimbursement for the construction or installation of infrastructure; (ii) funding the constructing, acquisition or installation of infrastructure; (iii) funding for any purpose for which the District may legally expend funds, provided the District shall not fund any such items if the District's ad valorem tax rate is less than 90% of the City's ad valorem tax rate for the previous year; and (iv) purchasing and retiring any bond after the tenth anniversary of its issuance.

DEVELOPMENT STATUS OF THE DISTRICT

The District encompasses approximately 733.65 total acres of land, which is being developed as the single-family subdivision known as “Northstar.” To date, approximately 361.07 acres (1,224 single-family lots) have been developed as Northstar, Sections 1, 2-1, 2-2, 2-3, 3-1, 4-1 and 4-3. As of February 1, 2023, development within the District included 671 completed homes (635 of which being occupied, 30 unoccupied, and 6 model homes), 29 homes under construction, and 524 vacant developed lots. The remaining land within the District consists of approximately 308.15 undeveloped but developable acres and approximately 64.43 undevelopable acres.

The table below summarizes the development within the District as of February 1, 2023, by section.

Northstar	Section Acreage (a)	Section Total Lots	Homes Completed	Homes Construction	Vacant Lots
Section 1	142.89	408	394	–	14
Section 2-1 (b)	27.54	127	120	–	7
Section 2-2 (b)	37.67	85	60	1	24
Section 2-3	25.50	88	–	–	88
Section 3-1	58.75	202	–	–	202
Section 4-1	42.92	201	97	28	76
Section 4-3	25.80	113	–	–	113
Total Developed Residential	361.07	1,224	671	29	524
Undeveloped but Developable (c)	308.15				
Undevelopable	64.43				
District Total	733.65				

(a) The platted acreage includes land for residential lots, an amenity center, open spaces, drill sites and streets within each section.

(b) Includes approximately 17.75 acres in aggregate of undevelopable land.

(c) Includes approximately 19.38 acres planned for commercial development and approximately 13.41 acres planned for a school site(s).

Homebuilders within the District

Homebuilders active in the District include DR Horton, Meritage, HistoryMaker Homes, and Riverside Homebuilders. The homes being marketed in the District range in size from approximately 1,500 to 4,300 square feet and in price from approximately \$344,990 to \$535,990.

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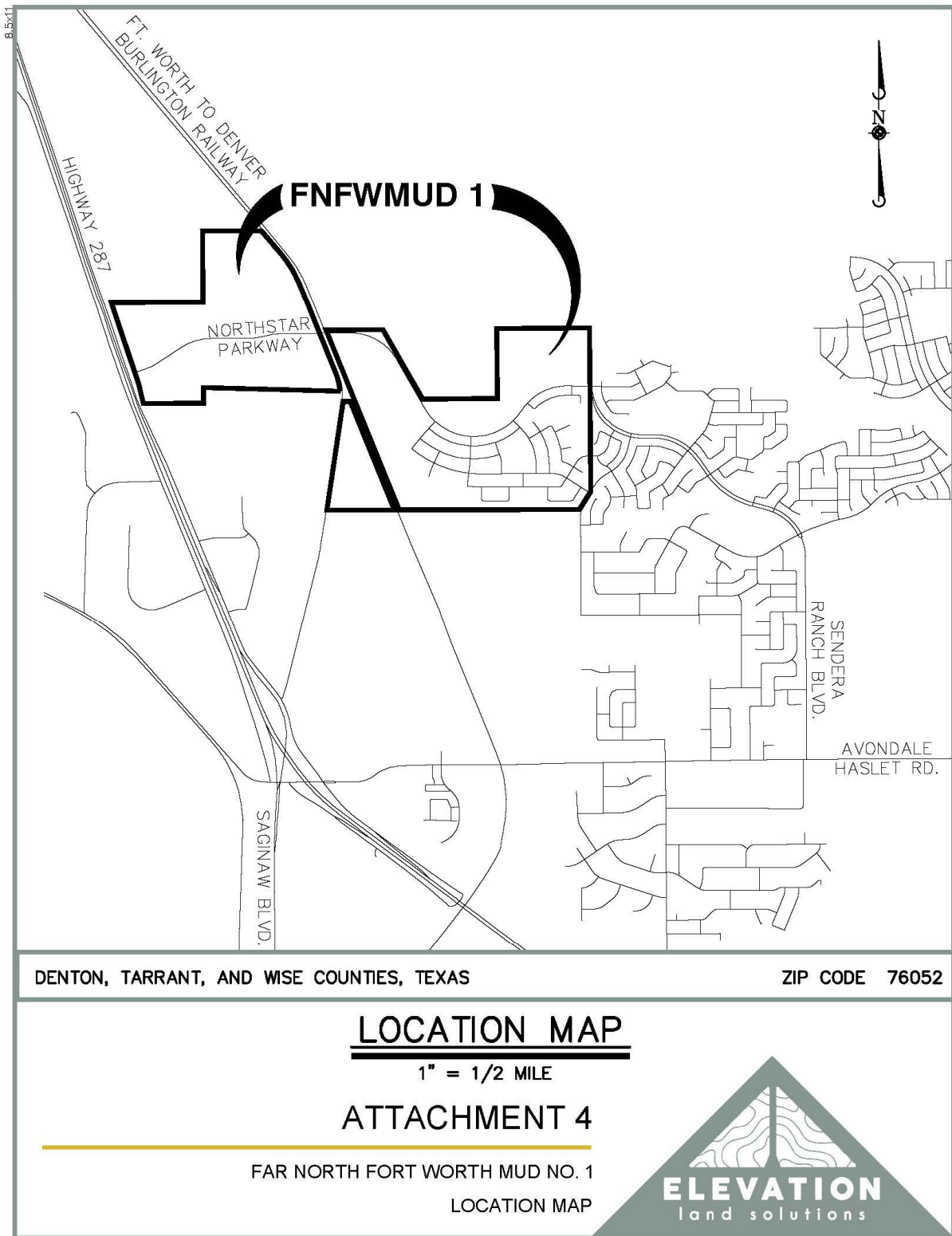
PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(March 2023)



PHOTOGRAPHS TAKEN WITHIN THE DISTRICT
(March 2023)



LOCATION MAP OF THE DISTRICT



THE DEVELOPERS/PRINCIPAL LANDOWNERS

The Role of a Developer

In general, the activities of a developer in a municipal utility district, such as the District, include the following: acquiring the land within the district; designing the subdivision, the utilities and streets to be constructed in the subdivision, and any community facilities to be built; defining a marketing program and building schedule; securing necessary governmental approvals and permits for development; arranging for the construction of roads and the installation of utilities; and selling improved lots and commercial reserves to builders and other developers or other third parties. Pursuant to the rules of the TCEQ, a developer can be required to pay up to 30% of the cost of constructing certain water, wastewater, and drainage facilities in a municipal utility district. The relative success or failure of a developer to perform such activities in the development of property within a municipal utility district may have a profound effect on the security of the bonds issued by a district. A developer is generally under no obligation to a municipal utility district to develop the property that it owns in a district. Furthermore, there is no restriction on a developer's right to sell any or all of the land that the developer owns within a municipal utility district.

The Developers and Principal Landowners

Northstar Ranch and 170 Northstar: Northstar Ranch, LLC ("Northstar Ranch"), a Texas limited liability company, managed by Kim Gill and Timothy Fleet, is a single purpose entity created for the purpose of owning, as an investment, land within the District. 170 Northstar Ranch Developer, Inc. ("170 Northstar"), a Texas corporation, also managed by Kim Gill and Timothy Fleet, was created for the purpose of purchasing and developing land within the District. Both Northstar Ranch and 170 Northstar are thinly capitalized companies whose assets consist primarily of the land in the District and, in the case of 170 Northstar, the receivables due from the District for eligible public infrastructure costs.

Northstar Ranch initially purchased all of the land within the District, approximately 734 acres. Of such acres, Northstar Ranch sold approximately 425 acres to 170 Northstar for the purpose of developing land within the District. As of February 1, 2023, Northstar Ranch continues to own approximately 308 acres of land within the District.

To date, 170 Northstar has developed approximately 169 acres as Northstar, Section 1 and Section 4-3 and subsequently sold approximately 86 acres to DR Horton (defined herein) and approximately 67 acres to Meritage (defined herein) for their respective developments. As of February 1, 2023, 170 Northstar continues to own 14 vacant developed lots and approximately 104 acres of land within the District.

DR Horton: D.R. Horton-Texas, Ltd. ("DR Horton"), a Texas limited partnership, is a developer and homebuilder within the District. DR Horton purchased approximately 86 acres of land within the District from 170 Northstar, on which it developed 403 single-family lots as Northstar, Sections 3-1 and 4-1. As of February 1, 2023, DR Horton continues to own 278 vacant developed lots within the District.

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

Meritage: Meritage Homes of Texas, LLC (“Meritage”) is a developer and homebuilder within the District. Meritage purchased approximately 67 acres of land within the District from 170 Northstar, on which it has developed 300 single-family lots as Northstar, Sections 2-1, 2-2 and 2-3. As of February 1, 2023, Meritage continues to own 119 vacant developed lots within the District.

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

170 Northstar, DR Horton, and Meritage are collectively referred to herein as the “Developers.” See “TAX DATA—Principal Taxpayers.”

The District makes no representation as to the likelihood of the planned development to occur or the pace at which the planned development might occur.

Development Financing

Northstar Ranch and 170 Northstar: Northstar Ranch financed the purchase of land within the District with a loan from Simmons Bank in the amount of \$12,000,000.00 with variable interest rate equal to Prime + 0.50%. Such loan matures on August 12, 2023, and is secured by the land within the District. As of February 1, 2023, the balance on such loan was \$3,439,373.

170 Northstar has financed the development of Northstar with a development loan from Simmons Bank in the amount of \$23,879,111.00 with variable interest rate equal to Prime + 0.50%. Such loan matures on August 12, 2023, and is secured by certain land within the District. As of February 1, 2023, the balance on such loan was \$11,699,411.

170 Northstar also has a loan from Community Bank in the amount of \$10,000,000.00 with fixed interest rate equal to 4.25%. Such loan matures on May 5, 2025, and is secured by District reimbursements related to 255.64 acres. As of February 1, 2023, the balance on such loan was \$6,962,046.

According to 170 Northstar and Northstar Ranch, 170 Northstar and Northstar Ranch are currently in compliance with all material terms of such loans.

DR Horton: DR Horton has financed its development with available funds on hand.

Meritage: Meritage has financed its development with available funds on hand.

Lot-Sales Contracts

170 Northstar: 170 Northstar entered into lot sales contracts with each of DR Horton, HistoryMaker Homes, and Riverside Homebuilders. The contracts for the sale of lots between 170 Northstar and the builders require that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contracts establish certain required lot purchases quarterly, with the earnest money deposit being returned to the builders upon purchase of the last lots under each contract. 170 Northstar’s sole remedy for builders not purchasing lots in accordance with the contracts is cancellation of the contract and retention of the remaining earnest money on deposit.

According to 170 Northstar, each of the builders is in compliance with its lot-sales contract. As of February 1, 2023, the approximate total number of lots contracted and purchased by each builder is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
DR Horton	132	132
HistoryMaker Homes	131	131
Riverside Homebuilders	131	131
Totals	394	394

Meritage: Meritage entered into a lot sales contract with HistoryMaker Homes. The contract for the sale of lots between Meritage and HistoryMaker Homes requires that earnest money be deposited with a title company, typically 10% of the total price of the completed lots. The sales contract establishes certain required lot purchases quarterly, with the earnest money deposit being returned to HistoryMaker Homes upon purchase of the last lots under each contract. Meritage's sole remedy for HistoryMaker Homes not purchasing lots in accordance with the contract is cancellation of the contract and retention of the remaining earnest money on deposit.

According to Meritage, HistoryMaker Homes is in compliance with its respective lot-sales contract. As of March 1, 2023, the approximate total number of lots contracted and purchased by HistoryMaker Homes is listed below:

Builder	Total Lots Contracted	Total Lots Purchased
HistoryMaker Homes	60	30
Totals	60	30

THE SYSTEMS

Regulation

According to the Engineer, the water distribution, wastewater collection and storm water drainage facilities and roads constructed by the District 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, Tarrant County, Texas, and Wise County, Texas. According to the District's Engineer, the design of all such facilities has been approved by all required governmental agencies and, the water and sanitary sewer system has been inspected by the appropriate jurisdictional entities.

Operation of the District's waterworks and sewer 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 Systems

Utility and Infrastructure Agreement: On October 17, 2017, the District entered into a Utility and Infrastructure Agreement (the "Utility Agreement") with the City and Northstar Ranch. The Utility Agreement was amended on August 20, 2018, and August 3, 2021 and Northstar Ranch has assigned all rights and obligations under the Utility Agreement to 170 Northstar. The District is located in an area for which the City is the retail water service and retail wastewater treatment service provider. The City will provide retail water service and retail wastewater treatment service to the property within the District on the same terms and at the City's generally applicable rates for comparable classes of customers outside the City's corporate limits.

The Utility Agreement sets out requirements for the District to construct certain off-site water and wastewater infrastructure. The water and wastewater infrastructure will be conveyed to the City for full ownership, maintenance, and control.

Roads: Property within the District is accessible on the west by State Highway 287 and is bisected by Bates Aston Road. Both are major thoroughfares that lie outside the District's boundary but provide access to the development. As part of the Utility Agreement, 170 Northstar must provide certain improvements to these roads. The District will fund all road improvements determined by the City or Texas Department of

Transportation (“TxDOT”) that benefit the District. All roadway facilities will be designed in accordance with criteria established by TxDOT, the City, Tarrant County, Wise County, and Denton County. Upon completion and inspection of the roadway facilities, all of the facilities will then be conveyed to Tarrant County, Wise County, and Denton County for ownership and maintenance.

Wastewater Treatment Facilities: Pursuant to the Utility Agreement, the City agrees to provide retail wastewater service to the District to serve full development. The City agrees to own, operate, and maintain the facilities and charge user fees at the City’s generally applicable rates for comparable classes of customers outside the City’s corporate limits. Under the Utility Agreement, 170 Northstar agrees to finance and construct on behalf of the District the internal wastewater facilities and dedicate sites thereunder.

The District’s wastewater is treated at the City’s 166 MGD Village Creek WWTP, TPDES Permit No. WQ0010494013.

Water Supply and Distribution: Customers of the District receive water service from the City pursuant to the terms and provisions of the Utility Agreement. As a condition of such service, the Utility Agreement obligates the District to acquire, construct, and extend water facilities to serve land in the District (the “Water System”), and when completed in accordance with approved plans and specifications, to convey title to the Water System to the City. The City operates and maintains the Water System and is responsible for establishing water rates and billing and collection for such services.

Drainage: The stormwater is conveyed through the storm sewers and then to Henrietta Creek, and eventually to Grapevine Lake. There is a total of approximately 19 acres within drainage reserves/floodplain. None of this acreage is planned for development. The District will be responsible for future maintenance of such drainage facilities.

Impact Fees: The City currently charges \$1,981 for water and \$1,796 for wastewater impact fees for 5/8” residential connections. The Developers are responsible for paying them as building permits are issued.

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

LEGAL MATTERS

Legal Opinions

The District will furnish to the Initial Purchaser a transcript of certain certified proceedings incident to the issuance and authorization of the Bonds, including a certified copy of the approving legal 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, without legal limitation as to rate or amount, levied upon all taxable property within the District. The District will also furnish the approving legal opinion of Coats Rose, P.C., 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, 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 bankruptcy, reorganization, or other similar laws of general application affecting the rights of creditors of political subdivisions such as the District and to the effect that interest on the Bonds is excludable from gross income for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of such opinion, assuming compliance by the District with certain covenants relating to the use and investment of the proceeds of the Bonds. See “TAX MATTERS” below. 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. Bond Counsel’s opinion will also address the matters described below.

In addition to serving as Bond Counsel, Coats Rose, P.C., also serves as counsel to the District on matters not related to the issuance of bonds. 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. Certain legal matters will be passed upon for the District by McCall, Parkhurst & Horton L.L.P., Houston, Texas, Disclosure Counsel.

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

Bond Counsel has reviewed the information appearing in this Official Statement under “THE BONDS” (except for information under the subheadings “—Book-Entry-Only System,” and “—Use and Distribution of Bond Proceeds”), “THE DISTRICT—General,” “STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF FORT WORTH,” “TAXING PROCEDURES,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION” solely to determine whether such information, insofar as it relates to matters of law, is true and correct and whether such information fairly summarizes matters of law and the provisions of the documents referred to therein. Bond Counsel has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the District for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon Bond Counsel’s limited participation as an assumption of responsibility for or an expression of opinion of any kind with regard to the accuracy or completeness of any information contained herein.

No-Litigation Certificate

The District will furnish the Initial Purchaser a certificate, executed by the President and Secretary of the Board, and dated as of the date of delivery of the Bonds, that to their knowledge, no litigation is pending or threatened affecting the validity of the Bonds, or the levy and/or collection of taxes for the payment thereof, or the organization or boundaries of the District, or the title of the officers thereof to their respective offices.

No Material Adverse Change

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

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the District, including information and representations contained in the District’s federal tax certificate and (b) covenants of the District contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure by the District to observe

the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

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

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

A ruling was not sought from the Internal Revenue Service by the District with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Registered Owners may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Tax Accounting Treatment of Original Issue Discount Bonds

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.

Not Qualified Tax-Exempt Obligations

The Bonds are not "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code.

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 ("MSRB"). The MSRB has established the Electronic Municipal Market Access ("EMMA") system which is available at www.emma.msrb.org.

Annual Reports

The District will provide certain updated financial information and operating data to the EMMA annually. The information to be updated with respect to the District includes all quantitative financial information and operating data relative to the District of the general type included in this Official Statement under the headings "DISTRICT DEBT" (except under the subheading "Estimated Overlapping Debt Statement"), "TAX DATA," and "APPENDIX A." The District will update and provide this information within six months after the end of each of fiscal year ending in or after 2023.

Any information so provided shall be prepared in accordance with generally accepted accounting principles or other such principles as the District may be required to employ from time to time pursuant to state law or regulation, and audited if the audit report is completed within the period during which it must be provided. If the audit report is not complete within such period, then the District shall provide unaudited financial statements for the applicable fiscal year to the MSRB within such six-month period, and audited financial statements when and if the audit report becomes available.

The District's current fiscal year end is April 30. Accordingly, it must provide updated information by January 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 days after the occurrence of an event. The District will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701 TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; (7) modifications to rights of beneficial owners of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District or other obligated person within the meaning of SEC Rule 15c2-12 (the "Rule"); (13) consummation of a merger, consolidation, or acquisition involving the District or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the District or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the District or other obligated person within the meaning of the Rule, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which affect Beneficial Owners of the Bonds, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District or other obligated person within the meaning of the Rule, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities laws. Neither the Bonds nor the Bond Order make any provision for debt service reserves or liquidity enhancement. The term "financial obligation" when used in this paragraph shall have the meaning ascribed to it under federal securities laws including meaning a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term "financial obligation" does not include municipal securities for which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule. In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information

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

Limitations and Amendments

The District has agreed to update information and to provide notices of specified events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement, or from any statement made pursuant to its agreement, although holders and 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 to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or operations of the District but only if the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the offering described herein in compliance with the Rule, taking into account any amendments and interpretations of the Rule to the date of such amendment, as well as changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the District (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The District may also amend or repeal the agreement if the SEC amends or repeals the applicable provisions of such rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Initial Purchaser from lawfully purchasing the Bonds in the offering described herein. If the District so amends the agreement, it has agreed to include with any financial information or operating data next provided in accordance with its agreement described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

Compliance with Prior Undertakings

The District entered into its first continuing disclosure agreement pursuant to the Rule in 2022. Due to an administrative oversight, the District failed to file in a timely manner its audited financial statements and operating data for the fiscal year ended April 30, 2022. On December 27, 2022, the District filed the required information along with a Notice of Failure to Timely Provide Annual Financial Data on EMMA. The District has implemented procedures to ensure timely filing of all future annual financial data. Otherwise, the District has materially complied with its prior continuing disclosure obligations.

SOURCES OF INFORMATION

General

The information contained in this Official Statement has been obtained primarily from the District’s records, the Engineer, the Developers, the Tax Assessor/Collector, the Tarrant County Appraisal District, and the Wise County 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, orders 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.

Bond Counsel has reviewed the information appearing in this Official Statement under the captions “SALE AND DISTRIBUTION OF THE BONDS,” “THE BONDS,” “TAXING PROCEDURES,” “THE DISTRICT—General,” “STRATEGIC PARTNERSHIP AGREEMENT WITH THE CITY OF FORT WORTH,” “LEGAL MATTERS,” “TAX MATTERS,” and “CONTINUING DISCLOSURE OF INFORMATION.” Bond Counsel has reviewed the information under the aforementioned sections solely to determine whether such information fairly summarizes the law or

documents referred to in such sections. Bond Counsel has not independently verified other factual information contained in this Official Statement nor 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 the limited participation of such firm as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the other information contained herein

The District's audited financial statements for the fiscal year ended April 30, 2022, has been provided by the District's auditor, McCall Gibson Swedlund Barfoot PLLC, and attached hereto as "APPENDIX A."

Experts

The information contained in this Official Statement relating to engineering and to the description of the Road System and Utility System generally and, in particular, the engineering information included in the sections captioned "DEVELOPMENT STATUS OF THE DISTRICT" and "THE SYSTEMS" 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 development and the status of development within the District generally and, in particular, the information in the section captioned "THE DEVELOPERS/PRINCIPAL LANDOWNERS" and "DEVELOPMENT STATUS OF THE DISTRICT" has been provided by the Developers 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 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 Appraisal Districts 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

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

Updating the Official Statement

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

CONCLUDING STATEMENT

The information set forth herein has been obtained from the District's records, audited financial statements and other sources 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 the provisions of

such statutes, documents, and resolutions. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

This Official Statement was approved by the Board of Directors of Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties as of the date shown on the cover page hereof.

/s/ Sharon Crockett
President, Board of Directors
Far North Fort Worth Municipal Utility District No. 1 of
Tarrant and Wise Counties

ATTEST:

/s/ Kristin Lea Hull
Secretary, Board of Directors
Far North Fort Worth Municipal Utility District No. 1 of
Tarrant and Wise Counties

APPENDIX A
Financial Statements of the District

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES**

TARRANT, DENTON, AND WISE COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2022

McCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES**

TARRANT, DENTON, AND WISE COUNTIES, TEXAS

ANNUAL FINANCIAL REPORT

APRIL 30, 2022

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Far North Fort Worth Municipal Utility District No. 1
of Tarrant and Wise Counties
Tarrant, Denton, and Wise Counties, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties (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.

Board of Directors
Far North Fort Worth Municipal Utility District No. 1
of Tarrant and Wise Counties

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.

A handwritten signature in black ink that reads "McCall Gibson Swedlund Barfoot PLLC". The script is cursive and fluid.

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

August 5, 2022

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022**

Management's discussion and analysis of the financial performance of Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties (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) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined 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 similar to 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 of 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 maintenance tax revenues, professional fees and administrative expenditures. The Debt Service Fund accounts for financial resources restricted, committed or assigned for servicing bond debt. The Capital Projects Fund accounts for financial resources restricted, committed or assigned for acquisition or construction of facilities and related costs.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
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 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 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 THE FINANCIAL STATEMENTS

The accompanying notes to the 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. A 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 \$6,394,161 as of April 30, 2022. The following is a comparative analysis of government-wide changes in net position.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Summary of the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Current Assets	\$ 1,552,203	\$ 41,949	\$ 1,510,254
Capital and Intangible Assets (Net of Accumulated Depreciation/Amortization)	15,964,328	12,904,367	3,059,961
Total Assets	\$ 17,516,531	\$ 12,946,316	\$ 4,570,215
Due to Developers	\$ 7,678,256	\$ 13,168,556	\$ 5,490,300
Bonds Payable	16,161,019		(16,161,019)
Other Liabilities	71,417	19,399	(52,018)
Total Liabilities	\$ 23,910,692	\$ 13,187,955	\$ (10,722,737)
Net Position:			
Net Investment in Capital Assets	\$ (7,636,608)	\$ (72,015)	\$ (7,564,593)
Restricted	892,162		892,162
Unrestricted	350,285	(169,624)	519,909
Total Net Position	\$ (6,394,161)	\$ (241,639)	\$ (6,152,522)

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

	Summary of the Statement of Net Position		
	2022	2021	Change Positive (Negative)
Revenues:			
Property Taxes	\$ 406,190	\$ 70,637	\$ 335,553
Other Revenues	17	3,132	(3,115)
Total Revenues	\$ 406,207	\$ 73,769	\$ 332,438
Total Expenses	6,558,729	150,028	(6,408,701)
Change in Net Position	\$ (6,152,522)	\$ (76,259)	\$ (6,076,263)
Net Position, Beginning of Year	(241,639)	(165,380)	(76,259)
Net Position, End of Year	\$ (6,394,161)	\$ (241,639)	\$ (6,152,522)

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
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 balances as of April 30, 2022, were \$1,395,064, an increase of \$1,372,514 from the prior year.

The General Fund fund balance increased by \$237,133, primarily due to property tax revenues and developer advances exceeding professional fees, contracted services and administrative costs during the year.

The Debt Service Fund fund balance increased by \$927,963 due to capitalized interest received in connection with the sale of the Series 2022 Utility Bonds and Series 2022A Road Bonds.

The Capital Projects Fund fund balance increased by \$207,418. The District sold its Series 2021 Bond Anticipation Note, Series 2022 Utility Bonds and Series 2022A Road Bonds in the current fiscal year (see Notes 11 and 12).

GENERAL FUND BUDGETARY HIGHLIGHTS

The Board adopted an unappropriated budget for the General Fund for the current fiscal year. Actual revenues were \$214,041 more than budgeted revenues, actual expenditures were \$31,493 more than budgeted expenditures, and other financing sources exceeded budgeted amounts by \$46,425 which resulted in a positive variance of \$228,973.

CAPITAL ASSETS AND INTANGIBLE ASSETS

Certain water and wastewater infrastructure is conveyed to the City of Fort Worth for ownership and maintenance (see Note 8). These costs, along with impact fees paid by the District, are recorded as intangible assets and have an April 30, 2022, balance of \$8,288,590. The District retains ownership and maintenance of the drainage infrastructure which serves the District. Drainage infrastructure assets as of year-end totaled \$7,675,738 (net of accumulated depreciation).

LONG-TERM DEBT

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 Sales	<u>15,870,000</u>
Bond Debt Payable, April 30, 2022	<u><u>\$ 15,870,000</u></u>

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED APRIL 30, 2022**

LONG-TERM DEBT (Continued)

The District's Series 2022 Utility Bonds and Series 2022A Road Bonds carry underlying ratings of "AA" as assigned by Standard and Poor's. The District's Series 2022A Road Bonds and Series 2022 Utility Bonds carry insured ratings of "AA" by virtue of bond insurance issued by Assured Guaranty Municipal Corporation and Build America Mutual Assurance Company, respectively. The ratings are subject to change.

CONTACTING THE DISTRICT'S 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 Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties, c/o Coats Rose, P.C., 14755 Preston Road, Suite 600, Dallas, TX 75254.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
STATEMENT OF NET POSITION AND
GOVERNMENTAL FUNDS BALANCE SHEET
APRIL 30, 2022**

	General Fund	Debt Service Fund
ASSETS		
Cash	\$ 258,286	\$ 927,963
Property Taxes Receivable	121,523	
Due from Other Funds	6,250	
Prepaid Costs	3,019	
Intangible Assets (Net of Accumulated Amortization)		
Capital Assets (Net of Accumulated Depreciation)		
TOTAL ASSETS	<u>\$ 389,078</u>	<u>\$ 927,963</u>
LIABILITIES		
Accounts Payable	\$ 7,872	\$
Accrued Interest Payable		
Due to Developers		
Due to Other Funds		
Long-Term Liabilities:		
Bonds Payable, Due After One Year		
TOTAL LIABILITIES	<u>\$ 7,872</u>	<u>\$ -0-</u>
DEFERRED INFLOWS OF RESOURCES		
Property Taxes	\$ 121,523	\$ -0-
FUND BALANCES		
Nonspendable: Prepaid Costs	\$ 3,019	\$
Restricted for Authorized Construction		
Restricted for Debt Service		927,963
Unrestricted	256,664	
TOTAL FUND BALANCES	<u>\$ 259,683</u>	<u>\$ 927,963</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 389,078</u>	<u>\$ 927,963</u>
NET POSITION		
Net Investment in Capital Assets		
Restricted for Debt Service		
Unrestricted		
TOTAL NET POSITION		

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

Capital Projects Fund	Total	Adjustments	Statement of Net Position
\$ 241,412	\$ 1,427,661	\$	\$ 1,427,661
	121,523		121,523
	6,250	(6,250)	
	3,019		3,019
		8,288,590	8,288,590
		7,675,738	7,675,738
<u>\$ 241,412</u>	<u>\$ 1,558,453</u>	<u>\$ 15,958,078</u>	<u>\$ 17,516,531</u>
 \$ 27,744	 \$ 35,616	 \$	 \$ 35,616
		35,801	35,801
		7,678,256	7,678,256
6,250	6,250	(6,250)	
		16,161,019	16,161,019
<u>\$ 33,994</u>	<u>\$ 41,866</u>	<u>\$ 23,868,826</u>	<u>\$ 23,910,692</u>
 \$ -0-	 \$ 121,523	 \$ (121,523)	 \$ -0-
 \$ 207,418	 \$ 3,019	 \$ (3,019)	 \$
	207,418	(207,418)	
	927,963	(927,963)	
	256,664	(256,664)	
<u>\$ 207,418</u>	<u>\$ 1,395,064</u>	<u>\$ (1,395,064)</u>	<u>\$ - 0 -</u>
 <u>\$ 241,412</u>	 <u>\$ 1,558,453</u>		
		\$ (7,636,608)	\$ (7,636,608)
		892,162	892,162
		350,285	350,285
		<u>\$ (6,394,161)</u>	<u>\$ (6,394,161)</u>

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

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
APRIL 30, 2022**

Total Fund Balances - Governmental Funds	\$	1,395,064
--	----	-----------

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

Capital assets and intangible assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in the governmental funds.		15,964,328
--	--	------------

Deferred inflows of resources related to property taxes receivable for the 2021 tax levy became part of recognized revenue in the governmental activities of the District.		121,523
--	--	---------

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:

Due to Developers	\$ (7,678,256)	
Accrued Interest Payable	(35,801)	
Bonds Payable	<u>(16,161,019)</u>	<u>(23,875,076)</u>
Total Net Position - Governmental Activities	\$	<u>(6,394,161)</u>

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

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**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED APRIL 30, 2022**

	<u>General Fund</u>	<u>Debt Service Fund</u>
REVENUES		
Property Taxes	\$ 284,667	\$
Investment and Miscellaneous Revenues	<u>10</u>	<u>7</u>
TOTAL REVENUES	<u>\$ 284,677</u>	<u>\$ 7</u>
EXPENDITURES/EXPENSES		
Service Operations:		
Professional Fees	\$ 68,848	\$
Contracted Services	19,476	
Depreciation		
Other	5,645	
Developer Interest		
Developer Reimbursements		
Conveyance of Assets		
Debt Service:		
Bond and BAN Issuance Costs		
BAN Interest		
Bond Interest		
TOTAL EXPENDITURES/EXPENSES	<u>\$ 93,969</u>	<u>\$ -0-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES/EXPENSES	<u>\$ 190,708</u>	<u>\$ 7</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 18,750	
Developer Advances	27,675	
Proceeds From Issuance of Long-Term Debt		927,956
Bond Discounts		
Bond Premiums		
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 46,425</u>	<u>\$ 927,956</u>
NET CHANGE IN FUND BALANCES	<u>\$ 237,133</u>	<u>\$ 927,963</u>
CHANGE IN NET POSITION		
FUND BALANCES/NET POSITION - MAY 1, 2021	<u>22,550</u>	
FUND BALANCES/NET POSITION - APRIL 30, 2022	<u>\$ 259,683</u>	<u>\$ 927,963</u>

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

Capital Projects Fund	Total	Adjustments	Statement of Activities
\$	\$ 284,667 17	\$ 121,523	\$ 406,190 17
\$ - 0 -	\$ 284,684	\$ 121,523	\$ 406,207
\$	\$ 68,848 19,476	\$	\$ 68,848 19,476
		164,767	164,767
235,523	241,168		241,168
705,551	705,551		705,551
12,212,868	12,212,868	(12,212,868)	
		3,470,165	3,470,165
1,753,590	1,753,590		1,753,590
99,489	99,489		99,489
		35,675	35,675
\$ 15,007,021	\$ 15,100,990	\$ (8,542,261)	\$ 6,558,729
\$ (15,007,021)	\$ (14,816,306)	\$ 8,663,784	\$ (6,152,522)
\$ (18,750)	\$	\$	\$
	27,675	(27,675)	
14,942,044	15,870,000	(15,870,000)	
(186,897)	(186,897)	186,897	
478,042	478,042	(478,042)	
\$ 15,214,439	\$ 16,188,820	\$ (16,188,820)	\$ -0-
\$ 207,418	\$ 1,372,514	\$ (1,372,514)	\$
		(6,152,522)	(6,152,522)
	22,550	(264,189)	(241,639)
\$ 207,418	\$ 1,395,064	\$ (7,789,225)	\$ (6,394,161)

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

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
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	\$ 1,372,514
--	--------------

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.	121,523
--	---------

Governmental funds do not account for depreciation. However, in the Statement of Net Position, assets which meet the criteria are capitalized and depreciation expense is recorded in the Statement of Activities.	(164,767)
--	-----------

Governmental funds report capital expenditures as expenditures in the period purchased. However, in the Statement of Net Position, capital assets are increased by new purchases and the Statement of Activities is not affected.	8,742,703
---	-----------

Governmental funds report bond discounts as other financing uses in the year paid and bond premiums as other financing sources in the year received. However, in the Statement of Net Position, the bond discounts and bond premiums are amortized over the life of the bonds and the current year amortized portion is recorded in the Statement of Activities.	(291,145)
--	-----------

Governmental funds report bond proceeds as other financing sources. Issued bonds increase long-term liabilities in the Statement of Net Position.	(15,870,000)
---	--------------

Governmental funds report developer advances as other financing sources. However, in the Statement of Net Position, developer advances are recorded as a liability.	(27,675)
---	----------

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.	(35,675)
---	----------

Change in Net Position - Governmental Activities	\$ <u>(6,152,522)</u>
--	-----------------------

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

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 1. CREATION OF DISTRICT

Far North Fort Worth Municipal Utility District No. 1 of Tarrant and Wise Counties was created as a municipal utility district pursuant to Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, by order of the Texas Commission on Environmental Quality (the “Commission”) dated January 12, 2017. The District is empowered to purchase, operate and maintain all facilities, plants, and improvements necessary to provide water, sanitary sewer service, storm sewer drainage, irrigation, roads, solid waste collection and disposal for its residents.

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:

- 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.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Statement Presentation (Continued)

- 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 net position 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 revenue and expense of the government-wide Statement of Activities.

Fund Financial Statements

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

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
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 property tax revenues as well as professional fees and administrative costs.

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

Capital Projects Fund – To account for financial resources restricted, committed or assigned for acquisition or construction of 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 revenue 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.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

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. The District recorded an interfund transfer of \$18,750 between the Capital Projects Fund and the General Fund related to bond issuance costs. The Capital Projects Fund owes the General Fund \$6,250 for bond issuance costs paid in the prior year.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Intangible Assets

Capital assets, which include certain storm drainage infrastructure, 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 expenditures 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. Assets are capitalized, including infrastructure assets, if they have an original cost greater than \$5,000 and a useful life over two years. Depreciation is calculated on each class of depreciable property using the straight-line method of depreciation. Estimated useful lives range from 10 to 45 years.

Intangible assets include water and wastewater facilities conveyed to the City of Fort Worth as further discussed in Note 8. Impact fees paid to the City are also included in this amount. These intangible assets are not amortized since the termination date of the agreement with the City is not fixed.

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 not amended. The Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund presents the budgeted amounts compared to the actual amounts of revenues and expenditures for the current year.

Pensions

A pension plan has not been established. The District does not have employees, except that the Internal Revenue Service has determined that the directors are considered to be employees for federal 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.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus (Continued)

The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities 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 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.

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

Nonspendable: amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

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

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

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

Unassigned: all other spendable amounts in the General Fund.

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

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 3. LONG-TERM DEBT

	Series 2022 Utility	Series 2022A Road
Amount Outstanding – April 30, 2022	\$ 11,500,000	\$ 4,370,000
Interest Rates	3.25% - 5.75%	3.25% - 5.75%
Maturity Dates - Serially Beginning/Ending	September 1, 2024/2047	September 1, 2024/2047
Interest Payment Dates	September 1/ March 1	September 1/ March 1
Callable Dates	September 1, 2027*	September 1, 2027*

* Or any date thereafter at a price of par plus accrued interest from the most recent interest payment date to the date fixed for redemption. Series 2022 term bonds due September 1, 2034, September 1, 2040, September 1, 2043, and September 1, 2047 are subject to mandatory redemption by random selection beginning September 1, 2033, September 1, 2039, September 1, 2041 and September 1, 2044, respectively. Series 2022A term bonds due September 1, 2028, September 1, 2030, September 1, 2035, September 1, 2038, September 1, 2043 and September 1, 2047 are subject to mandatory redemption by random selection beginning September 1, 2027, September 1, 2029, September 1, 2033, September 1, 2036, September 1, 2040 and September 1, 2044, respectively.

As of April 30, 2022, the District had authorized but unissued bonds in the amount of \$121,100,000 for utility facilities and \$28,780,000 for road facilities. 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 current fiscal year, the District did not levy an ad valorem debt service tax. See Note 7 for the maintenance tax levy.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 3. LONG-TERM DEBT (Continued)

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

	May 1, 2021	Additions	Retirements	April 30, 2022
Bonds Payable	\$	\$ 15,870,000	\$	\$ 15,870,000
Unamortized Discounts		(186,897)	(80)	(186,817)
Unamortized Premiums		478,042	206	477,836
Bonds Payable, Net	\$ -0-	\$ 16,161,145	\$ 126	\$ 16,161,019
Amount Due Within One Year				\$ -0-
Amount Due After One Year				16,161,019
Bonds Payable, Net				\$ 16,161,019

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

Fiscal Year	Principal	Interest	Total
2023	\$	\$ 524,124	\$ 524,124
2024		618,636	618,636
2025	450,000	605,700	1,055,700
2026	460,000	579,538	1,039,538
2027	475,000	552,656	1,027,656
2028-2032	2,625,000	2,389,310	5,014,310
2033-2037	3,080,000	1,820,975	4,900,975
2038-2042	3,605,000	1,268,911	4,873,911
2043-2047	4,245,000	578,592	4,823,592
2048	930,000	17,437	947,437
	\$ 15,870,000	\$ 8,955,879	\$ 24,825,879

NOTE 4. SIGNIFICANT BOND ORDER AND LEGAL REQUIREMENTS

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

The bond orders state that the District is required by the Securities and Exchange Commission to provide continuing disclosure of certain general financial information and operating data with respect to the District to certain information repositories. This information, along with the audited annual financial statements, 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.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

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 \$1,427,661 and the bank balance was \$1,427,656. The District was not exposed to custodial credit risk at year-end.

The carrying values of the deposits are included in the Governmental Fund Balance Sheet and the Statement of Net Position at April 30, 2022, as listed below:

	<u>Cash</u>
GENERAL FUND	\$ 258,286
DEBT SERVICE FUND	927,963
CAPITAL PROJECTS FUND	<u>241,412</u>
TOTAL DEPOSITS	<u><u>\$ 1,427,661</u></u>

Investments

Under Texas law, the District is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity and that address investment diversification, yield, maturity, and the quality and capability of investment management, and all District funds must be invested in accordance with the following investment objectives: understanding the suitability of the investment to the District's financial requirements, first; preservation and safety of principal, second; liquidity, third; marketability of the investments if the need arises to liquidate the investment before maturity, fourth; diversification of the investment portfolio, fifth; and yield, sixth. The District's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." No person may invest District funds without express written authority from the Board of Directors.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 5. DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Texas statutes include specifications for and limitations applicable to the District and its authority to purchase investments as defined in the Public Funds Investment Act. The District has adopted a written investment policy to establish the guidelines by which it may invest. This policy is reviewed annually. The District's investment policy may be more restrictive than the Public Funds Investment Act. As of April 30, 2022, the District did not have any investments.

NOTE 6. CAPITAL ASSETS AND INTANGIBLE ASSETS

Intangible assets include water and wastewater facilities conveyed to the City of Fort Worth as further discussed in Note 8. Impact fees paid to the City are also included in this amount. These intangible assets are not amortized since the termination date of the agreement with the City is not fixed. Current year activity is as follows:

	May 1, 2021	Increases	Decreases	April 30, 2022
Intangible Assets Not Subject to Amortization				
Water and Sewer Infrastructure	\$ 6,384,405	\$ 1,904,185	\$ - 0 -	\$ 8,288,590

The District retains ownership of drainage infrastructure. Current year activity is as follows:

	May 1, 2021	Increases	Decreases	April 30, 2022
Capital Assets Subject to Depreciation				
Drainage System	\$ 6,591,977	\$ 1,320,543	\$ - 0 -	\$ 7,912,520
Less Accumulated Depreciation				
Drainage System	\$ 72,015	\$ 164,767	\$ - 0 -	\$ 236,782
Total Capital Assets, Net of Accumulated Depreciation	\$ 6,519,962	\$ 1,155,776	\$ - 0 -	\$ 7,675,738

NOTE 7. MAINTENANCE TAX

On May 6, 2017, the voters of the District approved the levy and collection of a maintenance tax in an amount not to exceed \$1.00 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used by the General Fund to pay expenditures of operating the District's systems and other operating and maintenance expenses.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 7. MAINTENANCE TAX (Continued)

During the current fiscal year, the District levied an ad valorem maintenance tax rate of \$1.00 per \$100 of assessed valuation, which resulted in a tax levy of \$406,883 on the adjusted taxable valuation of \$40,688,333 for the 2021 tax year.

On May 6, 2017, the voters of the District approved the levy and collection of a road maintenance tax in an amount not to exceed \$0.25 per \$100 of assessed valuation of taxable property within the District. This maintenance tax is to be used to pay for road related maintenance and improvements.

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 8. UTILITY AND INFRASTRUCTURE AGREEMENT

On October 17, 2017, the District entered into a Utility and Infrastructure Agreement (the “Agreement”) with the City of Fort Worth, Texas (“City”) and Northstar Ranch, LLC (“Owner”). The Agreement was amended on August 20, 2018, and August 3, 2021. The District is located in an area for which the City is the retail water service and retail wastewater treatment service provider. The City will provide retail water service and retail wastewater treatment service to the property within the District on the same terms and at the City’s generally applicable rates for comparable classes of customers outside the City’s corporate limits.

The Agreement sets out requirements for the District to construct certain off-site water and wastewater infrastructure. The water and wastewater infrastructure will be conveyed to the City for full ownership, maintenance and control. The Agreement also provides for the construction of certain road improvements. Upon completion, the road improvements will be conveyed to Tarrant County, Denton County, or Wise County, as applicable, along with all applicable easements and rights-of-way. If a County does not accept such road improvements, the District will assume maintenance responsibilities.

NOTE 9. UNREIMBURSED DEVELOPER COSTS

The District and the Developers have entered into agreements which require the Developers to fund costs associated with water, sanitary sewer and drainage facilities, roads and operating advances. Reimbursement to the Developers for these projects and operating advances is contingent upon approval from the Commission and the future sale of bonds.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 9. UNREIMBURSED DEVELOPER COSTS (Continued)

The following table summarizes the activity for the current fiscal year.

Due to Developers, beginning of year	\$ 13,168,556
Current year additions	2,761,438
Current year reimbursements	<u>8,251,738</u>
Due to Developers, end of year	<u>\$ 7,678,256</u>

NOTE 10. 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. There have been no significant changes in coverage from the prior year and settlements have not exceeded coverage in the past year.

NOTE 11. BOND ANTICIPATION NOTE

On July 1, 2021, the District closed on the sale of its \$6,940,000 Series 2021 Bond Anticipation Note (BAN). The District used proceeds of the BAN to reimburse the developer for a portion of the costs associated with construction and engineering of water, sanitary sewer, and drainage facilities to serve Northstar Parkway and Northstar, Section 1, Phase 1. Additional proceeds of the BAN were used to reimburse the developer for impact fees, creation costs and developer advances as well as pay for BAN issuance costs.

NOTE 12. BOND SALES

On April 26, 2022, the District issued its Unlimited Tax Bonds, Series 2022 in the amount of \$11,500,000. Proceeds were used to reimburse developers for the construction of water, wastewater, and drainage facilities serving Northstar Parkway and Northstar, Section 1, Phase 1, pipeline relocation, and the City of Fort Worth impact fees. Proceeds were also used to pay certain bond issuance costs.

On April 26, 2022, the District issued its Unlimited Tax Road Bonds, Series 2022A in the amount of \$4,370,000. Proceeds were used to reimburse developers for paving improvements serving Northstar Parkway. Proceeds were also used to pay certain costs bond issuance costs.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
NOTES TO THE FINANCIAL STATEMENTS
APRIL 30, 2022**

NOTE 13. STRATEGIC PARTNERSHIP AGREEMENT

Effective August 20, 2018, the District entered into a Strategic Partnership Agreement (the “Agreement”) with the City of Fort Worth, Texas. The District and the City agree that the City may annex certain property within the District for the limited purpose of collecting sales and use tax revenues on eligible commercial activities. The City will pay the District 50% of the sales and use tax revenues collected during the first 19 years of the Limited Purpose Annexation Period. During the 19th year of the Limited Purpose Annexation Period, the City will retain 50% of the payment otherwise due to the District, up to a maximum of \$300,000. Thereafter, the City will pay to the District an amount equal to 25% of the sales and use tax revenues collected commencing on the first day of the 20th year of the Limited Purpose Annexation Period.

The District is required to deposit the District’s share of sales and use tax revenues in a segregated interest-bearing account and may be used in the following order of priority: (1) reimbursement for the construction or installation of infrastructure; (2) funding the construction, acquisition or installation of infrastructure; (3) funding for any purpose for which the District may legally expend funds, provided the District’s ad valorem tax rate is less than 90% of the City’s ad valorem tax rate for the previous year; and (4) purchasing and retiring any bond after the 10th anniversary of its issuance.

NOTE 14. SUBSEQUENT EVENT – PENDING BOND SALE

Subsequent to the report date, the District anticipates issuing its Unlimited Tax Road Bonds, Series 2022B in the amount of \$10,810,000. Proceeds are anticipated to be used to reimburse developers for paving improvements within the District as well as pay for certain bond issuance costs.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES**

REQUIRED SUPPLEMENTARY INFORMATION

APRIL 30, 2022

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED APRIL 30, 2022**

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Property Taxes	\$ 70,636	\$ 284,667	\$ 214,031
Investment Revenues		10	10
TOTAL REVENUES	<u>\$ 70,636</u>	<u>\$ 284,677</u>	<u>\$ 214,041</u>
EXPENDITURES			
Service Operations:			
Professional Fees	\$ 51,000	\$ 68,848	\$ (17,848)
Contracted Services	6,000	19,476	(13,476)
Other	<u>5,476</u>	<u>5,645</u>	<u>(169)</u>
TOTAL EXPENDITURES	<u>\$ 62,476</u>	<u>\$ 93,969</u>	<u>\$ (31,493)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 8,160</u>	<u>\$ 190,708</u>	<u>\$ 182,548</u>
OTHER FINANCING SOURCES(USES)			
Transfers In	\$	\$ 18,750	\$ 18,750
Developer Advances		<u>27,675</u>	<u>27,675</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -0-</u>	<u>\$ 46,425</u>	<u>\$ 46,425</u>
NET CHANGE IN FUND BALANCE	\$ 8,160	\$ 237,133	\$ 228,973
FUND BALANCE - MAY 1, 2021	<u>22,550</u>	<u>22,550</u>	
FUND BALANCE - APRIL 30, 2022	<u><u>\$ 30,710</u></u>	<u><u>\$ 259,683</u></u>	<u><u>\$ 228,973</u></u>

See accompanying independent auditor's report.

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**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES**

**SUPPLEMENTARY INFORMATION – REQUIRED BY THE
WATER DISTRICT FINANCIAL MANAGEMENT GUIDE**

APRIL 30, 2022

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
SERVICES AND RATES
FOR THE YEAR ENDED APRIL 30, 2022**

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

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

2. RETAIL SERVICE PROVIDERS – NOT APPLICABLE

3. TOTAL WATER CONSUMPTION – NOT APPLICABLE

4. STANDBY FEES – NOT APPLICABLE

5. LOCATION OF DISTRICT:

Is the District located entirely within one county?

Yes No X

Counties in which District is located:

Tarrant, Denton, and Wise Counties, Texas

Is the District located within a city?

Entirely Partly Not at all X

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

Entirely X Partly Not at all

ETJ in which District is located:

City of Fort Worth, Texas

Are Board Members appointed by an office outside the District?

Yes No X

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
GENERAL FUND EXPENDITURES
FOR THE YEAR ENDED APRIL 30, 2022**

PROFESSIONAL FEES:	
Auditing	\$ 8,000
Engineering	6,914
Legal	<u>53,934</u>
TOTAL PROFESSIONAL FEES	<u>\$ 68,848</u>
CONTRACTED SERVICES:	
Bookkeeping	\$ 11,779
Tax Collector/Appraisal District	<u>7,697</u>
TOTAL CONTRACTED SERVICES	<u>\$ 19,476</u>
ADMINISTRATIVE EXPENDITURES:	
Director Fees, Including Payroll Taxes	\$ 2,260
Insurance	2,992
Office Supplies, Postage and Other	<u>393</u>
TOTAL ADMINISTRATIVE EXPENDITURES	<u>\$ 5,645</u>
TOTAL EXPENDITURES	<u><u>\$ 93,969</u></u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2022**

	<u>Maintenance Taxes</u>	
TAXES RECEIVABLE -		
MAY 1, 2021	\$ -0-	
Adjustments to Beginning		
Balance	<u> </u>	\$ -0-
Original 2021 Tax Levy	\$ 269,662	
Adjustment to 2021 Tax Levy	<u> 137,221</u>	<u> 406,883</u>
TOTAL TO BE		
ACCOUNTED FOR		\$ 406,883
TAX COLLECTIONS:		
Prior Years	\$	
Current Year	<u> 285,360</u>	<u> 285,360</u>
TAXES RECEIVABLE -		
APRIL 30, 2022		<u>\$ 121,523</u>
TAXES RECEIVABLE BY		
YEAR:		
2021		<u><u>\$ 121,523</u></u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED APRIL 30, 2022**

	<u>2021</u>	<u>2020</u>
PROPERTY VALUATIONS:		
Land	\$ 39,522,895	\$ 6,750,358
Improvements	257,240	212,930
Personal Property	2,096,718	100,383
Exemptions	<u>(1,188,520)</u>	<u></u>
TOTAL PROPERTY VALUATIONS	<u>\$ 40,688,333</u>	<u>\$ 7,063,671</u>
TAX RATES PER \$100 VALUATION:		
Debt Service	\$ 0.00	\$ 0.00
Maintenance	<u>1.00</u>	<u>1.00</u>
TOTAL TAX RATES PER \$100 VALUATION	<u>\$ 1.00</u>	<u>\$ 1.00</u>
ADJUSTED TAX LEVY*	<u>\$ 406,883</u>	<u>\$ 70,637</u>
PERCENTAGE OF TAXES COLLECTED TO TAXES LEVIED	<u>70.13 %</u>	<u>100.00 %</u>

* 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 assessed valuation approved by voters on May 6, 2017.

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2022**

S E R I E S - 2 0 2 2 U T I L I T Y			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 374,779	\$ 374,779
2024		442,362	442,362
2025	325,000	433,019	758,019
2026	335,000	414,044	749,044
2027	345,000	394,494	739,494
2028	355,000	374,368	729,368
2029	370,000	356,762	726,762
2030	380,000	341,762	721,762
2031	390,000	326,362	716,362
2032	405,000	310,462	715,462
2033	420,000	293,962	713,962
2034	430,000	278,575	708,575
2035	445,000	264,357	709,357
2036	460,000	249,650	709,650
2037	475,000	234,457	709,457
2038	490,000	218,776	708,776
2039	505,000	202,606	707,606
2040	525,000	185,212	710,212
2041	540,000	166,575	706,575
2042	555,000	147,412	702,412
2043	575,000	127,638	702,638
2044	595,000	107,163	702,163
2045	615,000	85,219	700,219
2046	635,000	61,782	696,782
2047	655,000	37,594	692,594
2048	675,000	12,656	687,656
	<u>\$ 11,500,000</u>	<u>\$ 6,442,048</u>	<u>\$ 17,942,048</u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2022**

S E R I E S - 2 0 2 2 R O A D			
Due During Fiscal Years Ending April 30	Principal Due September 1	Interest Due September 1/ March 1	Total
2023	\$	\$ 149,345	\$ 149,345
2024		176,274	176,274
2025	125,000	172,681	297,681
2026	125,000	165,494	290,494
2027	130,000	158,162	288,162
2028	135,000	150,881	285,881
2029	140,000	143,663	283,663
2030	145,000	136,182	281,182
2031	150,000	128,437	278,437
2032	155,000	120,431	275,431
2033	160,000	112,162	272,162
2034	165,000	105,281	270,281
2035	170,000	99,837	269,837
2036	175,000	94,231	269,231
2037	180,000	88,463	268,463
2038	185,000	82,531	267,531
2039	190,000	76,437	266,437
2040	200,000	70,100	270,100
2041	205,000	63,262	268,262
2042	210,000	56,000	266,000
2043	220,000	48,476	268,476
2044	225,000	40,688	265,688
2045	235,000	32,344	267,344
2046	240,000	23,438	263,438
2047	250,000	14,250	264,250
2048	255,000	4,781	259,781
	<u>\$ 4,370,000</u>	<u>\$ 2,513,831</u>	<u>\$ 6,883,831</u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
LONG-TERM DEBT SERVICE REQUIREMENTS
APRIL 30, 2022**

ANNUAL REQUIREMENTS
FOR ALL SERIES

Due During Fiscal Years Ending April 30	Total Principal Due	Total Interest Due	Total Principal and Interest Due
2023	\$	\$ 524,124	\$ 524,124
2024		618,636	618,636
2025	450,000	605,700	1,055,700
2026	460,000	579,538	1,039,538
2027	475,000	552,656	1,027,656
2028	490,000	525,249	1,015,249
2029	510,000	500,425	1,010,425
2030	525,000	477,944	1,002,944
2031	540,000	454,799	994,799
2032	560,000	430,893	990,893
2033	580,000	406,124	986,124
2034	595,000	383,856	978,856
2035	615,000	364,194	979,194
2036	635,000	343,881	978,881
2037	655,000	322,920	977,920
2038	675,000	301,307	976,307
2039	695,000	279,043	974,043
2040	725,000	255,312	980,312
2041	745,000	229,837	974,837
2042	765,000	203,412	968,412
2043	795,000	176,114	971,114
2044	820,000	147,851	967,851
2045	850,000	117,563	967,563
2046	875,000	85,220	960,220
2047	905,000	51,844	956,844
2048	930,000	17,437	947,437
	<u>\$ 15,870,000</u>	<u>\$ 8,955,879</u>	<u>\$ 24,825,879</u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
CHANGES IN LONG-TERM BOND DEBT
FOR THE YEAR ENDED APRIL 30, 2022**

Description	Original Bonds Issued	Bonds Outstanding May 1, 2021
Far North Fort Worth MUD No. 1 of Tarrant and Wise Counties Unlimited Tax Utility Bonds - Series 2022	\$ 11,500,000	\$
Far North Fort Worth MUD No. 1 of Tarrant and Wise Counties Unlimited Tax Road Bonds - Series 2022A	<u>4,370,000</u>	<u> </u>
TOTAL	<u>\$ 15,870,000</u>	<u>\$ - 0 -</u>

Bond Authority:	Tax Bonds	Road Bonds
Amount Authorized by Voters	\$ 132,600,000	\$ 33,150,000
Amount Issued	<u>11,500,000</u>	<u>4,370,000</u>
Remaining to be Issued	<u>\$ 121,100,000</u>	<u>\$ 28,780,000</u>

Debt Service Fund cash balance as of March 31, 2022: \$ 927,963

Average annual debt service payment (principal and interest) for remaining term
of all debt: \$ 954,842

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

See accompanying independent auditor's report.

Current Year Transactions				
Bonds Sold	Retirements		Bonds Outstanding April 30, 2022	Paying Agent
	Principal	Interest		
\$ 11,500,000	\$	\$	\$ 11,500,000	BOKF, NA Dallas, TX
<u>4,370,000</u>			<u>4,370,000</u>	BOKF, NA Dallas, TX
<u>\$ 15,870,000</u>	<u>\$ - 0 -</u>	<u>\$ - 0 -</u>	<u>\$ 15,870,000</u>	

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
GENERAL FUND – TWO YEARS**

	Amounts	
	2022	2021
REVENUES		
Property Taxes	\$ 284,667	\$ 70,637
Investment and Miscellaneous Revenues	10	3,132
TOTAL REVENUES	<u>\$ 284,677</u>	<u>\$ 73,769</u>
EXPENDITURES		
Professional Fees	\$ 68,848	\$ 63,687
Contracted Services	19,476	8,306
Other	5,645	6,020
TOTAL EXPENDITURES	<u>\$ 93,969</u>	<u>\$ 78,013</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 190,708</u>	<u>\$ (4,244)</u>
OTHER FINANCING SOURCES (USES)		
Transfers In(Out)	\$ 18,750	\$
Developer Advances	27,675	23,808
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ 46,425</u>	<u>\$ 23,808</u>
NET CHANGE IN FUND BALANCE	\$ 237,133	\$ 19,564
BEGINNING FUND BALANCE	<u>22,550</u>	<u>2,986</u>
ENDING FUND BALANCE	<u><u>\$ 259,683</u></u>	<u><u>\$ 22,550</u></u>

See accompanying independent auditor's report.

Percentage of Total Revenues	
2022	2021
99.9 %	95.8 %
<u>0.1</u>	<u>4.2</u>
<u>100.0 %</u>	<u>100.0 %</u>
24.2 %	86.3 %
6.8	11.3
<u>2.0</u>	<u>8.2</u>
<u>33.0 %</u>	<u>105.8 %</u>
<u>67.0 %</u>	<u>(5.8) %</u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES
DEBT SERVICE FUND – TWO YEARS**

	<u>Amounts</u>	
	<u>2022</u>	<u>2021</u>
REVENUES		
Investment and Miscellaneous Revenues	<u>\$ 7</u>	<u>N/A</u>
TOTAL REVENUES	<u>\$ 7</u>	<u>N/A</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 7</u>	<u>N/A</u>
OTHER FINANCING SOURCES (USES)		
Proceeds From Issuance of Long-term Debt	<u>\$ 927,956</u>	<u>N/A</u>
NET CHANGE IN FUND BALANCE	<u>\$ 927,963</u>	
BEGINNING FUND BALANCE	<u></u>	<u></u>
ENDING FUND BALANCE	<u>\$ 927,963</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>
TOTAL ACTIVE RETAIL WASTEWATER CONNECTIONS	<u>N/A</u>	<u>N/A</u>

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>100.0</u> %	<u>N/A</u>
<u>100.0</u> %	<u>N/A</u>

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
APRIL 30, 2022**

District Mailing Address - Far North Fort Worth Municipal Utility District No. 1
of Tarrant and Wise Counties
c/o Coats Rose, P.C.
14755 Preston Road, Suite 600
Dallas, TX 75254

District Telephone Number - (972) 982-8450

Board Members	Term of Office (Elected or Appointed)	Fees of Office for the year ended <u>April 30, 2022</u>	Expense Reimbursements for the year ended <u>April 30, 2022</u>	<u>Title</u>
Sharon Crockett	05/20 05/24 (Elected)	\$ 750	\$ 8	President
Maggie Cleveland	05/18 05/22 (Elected)	\$ 750	\$ 13	Vice President
Kristin Lea Hull	05/18 05/22 (Elected)	\$ 600	\$ 4	Secretary
Ann Davis	05/20 05/24 (Elected)	\$ 300	\$ 8	Assistant Secretary
Cindy Criswell	05/18 05/22 (Elected)	\$ 300	\$ 7	Assistant Vice President

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 16, 2022

The limit on Fees of Office that a Director may receive during a fiscal year is \$7,200. Fees of Office are the amounts actually paid to a Director during the District's current fiscal year.

See accompanying independent auditor's report.

**FAR NORTH FORT WORTH MUNICIPAL UTILITY
DISTRICT NO. 1 OF TARRANT AND WISE COUNTIES
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>
Allen Boone Humphries Robinson LLP	02/15/17	\$ 53,934	Prior General Counsel
		\$ 477,542	Prior Bond Counsel
Coats Rose, P.C.	06/23/22	\$ -0-	General Counsel
McCall Gibson Swedlund Barfoot PLLC	04/07/21	\$ 8,000	Auditor
		\$ 36,750	Bond Related
Dye & Toverly, LLC	06/06/17	\$ 11,983	Bookkeeper
Kathi Dye		\$ -0-	Investment Officer
Elevation Land Solutions	01/26/18	\$ 6,914	Engineer
Robert W. Baird & Co. Incorporated	02/15/17	\$ 392,819	Financial Advisor

See accompanying independent auditor's report.

APPENDIX B

Specimen Municipal Bond Insurance Policy



MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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